EXHIBIT B

Mallinckrodt
Pharmaceuticals

2017 IRISH STATUTORY ACCOUNTS

MALLINCKRODT PUBLIC LIMITED COMPANY

Directors' Report and Consolidated Financial Statements
For the Fifteen Months Ended December 29, 2017

MALLINCKRODT PLC

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DIRECTORS' REPORT

For the Fifteen Months Ended December 29, 2017

(dollars in millions, except share data and where indicated)

Basis of Presentation

The directors present their report on the audited consolidated financial statements for the fifteen months ended December 29, 2017, beginning on page 42, and audited parent company financial statements for the fifteen months ended December 29, 2017, beginning on page 121.

The directors have elected to prepare the Irish statutory Mallinckrodt plc group consolidated financial statements in accordance with Section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position, and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014.

The directors have elected to prepare the Mallinckrodt plc parent company financial statements in accordance with Financial Reporting Standards ("FRS 102") applicable in the United Kingdom ("U.K.") and Republic of Ireland ("relevant financial reporting framework") together with the Companies Act 2014.

The accompanying financial statements reflect the consolidated financial position of the parent company ("Mallinckrodt plc" or "the Company") and its subsidiaries (Mallinckrodt plc and all its subsidiaries, hereinafter referred to as "Mallinckrodt", "the Group", "us", "we", or "our") as an independent, publicly-traded company.

Fiscal Year

We historically reported our results based on a "52-53 week" year ending on the last Friday of September. On May 17, 2016, the Board of Directors of the Group approved a change in our fiscal year end to the last Friday in December from the last Friday in September. As a result of the change in fiscal year end, the Group filed with the U.S. Securities and Exchange Commission ("SEC") a Transition Report on Form 10-Q on February 7, 2017 covering the period from October 1, 2016 through December 30, 2016 ("the three months ended December 30, 2016"). For United States ("U.S.") filing purposes, the change in fiscal year became effective for the Group's 2017 fiscal year, which began on December 31, 2016 and ended on December 29, 2017 ("fiscal 2017"). The Irish statutory financial statements for the current financial period covers October 1, 2016 through December 29, 2017 ("the fifteen months ended December 29, 2017") with comparatives presented for the financial year ended September 30, 2016 ("fiscal 2016"). References to fiscal 2017 and fifteen months ended December 29, 2017 shall be construed accordingly.

Trademarks and Trade Names

Mallinckrodt owns or has rights to use trademarks and trade names that it uses in conjunction with the operation of its business. One of the more important trademarks that it owns or has rights to use that appears in this Directors' Report is "Mallinckrodt," which is a registered trademark or the subject of pending trademark applications in the U.S. and other jurisdictions. Solely for convenience, we only use the ™ or ® symbols the first time any trademark or trade name is mentioned. Such references are not intended to indicate in any way that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks and trade names. Each trademark or trade name of any other company appearing in this Directors' Report is, to our knowledge, owned by such other company.

Forward-Looking Statements

We have made forward-looking statements in this Directors' Report that are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements include, but are not limited to, information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements and the effects of competition, litigation and future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "project," "anticipate," "estimate," "predict," "potential," "continue," "may," "should" or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any forward-looking statements.

The principal risks and uncertainties included in this Directors' Report could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

These forward-looking statements are made as of the issuance date of this Directors' Report. We expressly disclaim any obligation to update these forward-looking statements other than as required by law.

Principal Activities

Mallinckrodt plc is the parent company of a group whose principal activity is to develop, manufacture, market and distribute specialty pharmaceutical products and therapies. Areas of focus include autoimmune and rare diseases in specialty areas like neurology, rheumatology, nephrology, pulmonology and ophthalmology; immunotherapy and neonatal respiratory critical care therapies; analgesics and gastrointestinal products.

In the past few years, we have executed on Mallinckrodt's ongoing transformation to become an innovation-driven specialty pharmaceuticals growth company through a series of strategic acquisitions and divestitures, developing strong commercial platforms and an increasingly robust pipeline. In doing so, our emphasis has evolved to focus on a development portfolio of treatments for severe and critically ill infants and adults.

Through December 29, 2017, we operated our business in two reportable segments, which are further described below:

- *Specialty Brands* includes branded medicines; and
- *Specialty Generics* includes specialty generic drugs, active pharmaceutical ingredients ("APIs") and external manufacturing.

We completed the sale of our Nuclear Imaging ("Nuclear") business and our contrast media and delivery systems ("CMDS") businesses on January 27, 2017 and November 27, 2015, respectively. As a result, prior year balances have been recast to present the financial results of these businesses as discontinued operations.

In March 2018, we completed the sale of our RECOTHROM® Thrombin topical (Recombinant) ("Recothrom") and PreveLeak™ Surgical Sealant ("PreveLeak") assets to Baxter International, Inc. ("Baxter"). In February 2018, we acquired Sucampo Pharmaceuticals, Inc. ("Sucampo"), including AMITIZA® (lubiprostone), a leading global product in the branded gastrointestinal market.

In May 2015, the Board of Directors of Mallinckrodt plc approved the migration of the Group's principal executive offices from Ireland to the United Kingdom. The Group remains incorporated in Ireland and continues to be subject to U.S. SEC reporting requirements and the applicable corporate governance rules of the New York Stock Exchange.

Significant Events

Reorganization of Legal Entity Ownership

During the period ended December 29, 2017, we completed a reorganization of our legal entity ownership ("the Reorganization") to align with our ongoing transformation to become an innovation-driven specialty pharmaceuticals growth company. Many factors were considered in effecting the Reorganization, including streamlining treasury functions, simplifying legal entity reporting processes and capital allocation efficiencies.

Given this Reorganization, the Internal Revenue Code required us to reallocate our tax basis from an investment in shares of a wholly-owned subsidiary to assets within another legal entity with no corresponding change in accounting basis. A deferred tax liability was not recognized on the wholly-owned subsidiary as there is a means for its recovery in a tax-free manner. The reallocation of tax basis resulted in a decrease to the net deferred tax liabilities associated with the assets within the other legal entity. As a result, during the fifteen months ended December 29, 2017, we recognized an income tax benefit, net of unrecognized tax benefits, of $1,054.8 million primarily as a result of a reduction to our net deferred tax liabilities. The reduction to net deferred tax liabilities was comprised of a $679.3 million reduction to interest-bearing U.S. deferred tax liabilities and the remainder primarily related to reductions to net deferred tax liabilities associated with intangible assets.

Tax Cuts and Jobs Act

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA" or "U.S. Tax Reform"). The TCJA makes broad and complex changes to the U.S. tax code, the effects of which have been incorporated into our provision for income taxes for the fifteen months ended December 29, 2017, as applicable. The TCJA provisions effective within 2017, include, but are not limited to (1) requiring a one-time transition tax on certain undistributed earnings of our foreign subsidiaries of U.S. entities, (2) bonus depreciation that will allow for full expensing of qualified property, and (3) reducing the U.S. federal corporate statutory tax rate from 35% to 21%. The TCJA also establishes new tax laws that will affect fiscal 2018, including, but not limited to (1) elimination of the corporate alternative minimum tax, (2) creation of the base erosion anti-abuse tax, a new minimum tax, (3) a general elimination of U.S. federal income taxes on dividends from non-U.S. subsidiaries, (4) a new provision designed to tax global intangible low-taxed income, which allows for the possibility of using foreign tax credits and a deduction of up to 50% to offset the income tax liability, (5) tightening the limitation on deductible interest expense, (6) limitations on net operating losses generated after December 31, 2017 to 80% of taxable income, and (7) reductions to the amount of the orphan drug research credit generated after December 31, 2017.

In connection with our initial analysis of the impact of the TCJA, a discrete net tax benefit of $456.9 million was recognized during the fifteen months ended December 29, 2017, primarily for the adjustment of our U.S. net deferred income tax liabilities for the reduction of the U.S. federal corporate statutory tax rate to 21%. These provisional estimates are based upon our initial analysis and current interpretation of the legislation. Given the complexity of the legislation, anticipated guidance from the U.S. Treasury, and the potential for additional guidance from the SEC or Financial Accounting Standards Board, these estimates may be adjusted during fiscal 2018 under the provisions of Staff Accounting Bulletin 118. For fiscal 2018, due to the TCJA's reduction to the U.S. federal corporate statutory tax rate from 35% to 21%, we expect a relative decrease to tax expense as a percentage of operating income mostly offset by an increase to tax expense resulting from tightened restrictions in deductibility of interest expense.

Acquisitions

In December 2017, we acquired Ocera Therapeutics, Inc. ("Ocera") for upfront consideration of approximately $42.4 million, of which $1.9 million of the consideration was paid subsequent to December 29, 2017, and contingent consideration up to $75.0 million based on the successful completion of certain development and turnover milestones ("the Ocera Acquisition"). Ocera is a clinical stage biopharmaceutical company focused on the development and commercialization of novel therapeutics for orphan and other serious liver diseases with a high unmet medical need. Ocera's developmental product MNK-6105 (previously OCR-002), an ammonia scavenger, is being studied for treatment of hepatic encephalopathy, a neuropsychiatric syndrome associated with hyperammonemia, a complication of acute or chronic liver disease. The Ocera Acquisition was funded with cash on hand.

In October 2017, we entered into a licensing agreement for development and commercialization of NeuroproteXeon Inc.'s ("NeuroproteXeon" and the "Xenon Licensing Agreement") investigational, pharmaceutical-grade xenon gas for inhalation therapy being evaluated to improve survival and functional outcomes for patients resuscitated after a cardiac arrest. If approved, xenon gas for inhalation will expand our portfolio of hospital drug-device combination products providing therapies for critically ill patients. Under the terms of the Xenon Licensing Agreement, we paid $10.0 million upfront with cash on hand to reimburse NeuroproteXeon for certain product development costs, and gained exclusive rights to commercialize the therapy, if approved, in the U.S., Canada, Japan and Australia. The Xenon Licensing Agreement includes additional payments of up to $25.0 million dependent on developmental, regulatory and turnover milestones. In addition, NeuroproteXeon will receive tiered royalties on applicable worldwide product turnover and a transfer price for commercial product supply. NeuroproteXeon will continue to be responsible for the cost of development and will manage the development of the product in collaboration with us.

In September 2017, we acquired InfaCare Pharmaceutical Corporation ("InfaCare") in a transaction valued at approximately $80.4 million, with additional payments of up to $345.0 million dependent on regulatory and turnover milestones ("the InfaCare Acquisition"). InfaCare is focused on development and commercialization of proprietary pharmaceuticals for neonatal and pediatric patient populations. InfaCare's developmental product stannsoporfin, a heme oxygenase inhibitor, is under investigation for its potential to reduce the production of bilirubin, the elevation of which can contribute to serious consequences in infants. The acquisition was funded with cash on hand.

Divestitures

On March 17, 2017, we completed the sale of our Intrathecal Therapy business to Piramal Enterprises Limited's subsidiary in the U.K., Piramal Critical Care ("Piramal"), for approximately $203.0 million, including fixed consideration of $171.0

million and contingent consideration of up to $32.0 million. We recorded a pre-tax gain on the sale of the business of $56.6 million during the fifteen months ended December 29, 2017, which excluded any potential proceeds from the contingent consideration and reflects a post-sale working capital adjustment. The financial results of the Intrathecal Therapy business are presented within continuing operations as this divestiture did not meet the criteria for discontinued operations classification.

On January 27, 2017, we completed the sale of our Nuclear Imaging business to IBA Molecular ("IBAM") for approximately $690.0 million before tax impacts, including up-front consideration of approximately $574.0 million, up to $77.0 million of contingent consideration and the assumption of certain liabilities. We recorded a pre-tax gain on the sale of the business of $362.8 million during the fifteen months ended December 29, 2017, which excluded any potential proceeds from the contingent consideration. The financial results for the Nuclear Imaging business, including the recast of prior year balances, are presented within discontinued operations.

Likely Future Developments

Specialty Brands. Turnover of H.P. Acthar Gel for the fifteen months ended ended December 29, 2017 increased $360.1 million from fiscal 2016, or 31.0%, to $1,520.5 million, driven by favorable pricing and lower rebate expenses. However, during the latter part of the fifteen months ended December 29, 2017, turnover of H.P. Acthar Gel were impacted by patient withdrawal issues. We have taken a number of steps to address the issue, including engagement with payers, prescribers and patients and we remain focused on returning H.P. Acthar Gel to growth.

As a result of lower than previously anticipated commercial opportunities for Raplixa, we recognized an impairment charge of $63.7 million to fully impair the Raplixa intangible asset and a $3.3 million inventory provision. In addition, we reduced the Raplixa contingent consideration liability to zero as of December 29, 2017, resulting in a $54.6 million fair value adjustment during the fiscal period ended December 29, 2017. The net impact of these Raplixa related adjustments was a $12.4 million charge in fiscal 2017. Furthermore, as our emphasis has evolved to focus on a development portfolio of treatments for severe and critically ill infants and adults, the RECOTHROM® Thrombin topical (Recombinant) ("Recothrom", and PreveLeakTM Surgical Sealant ("PreveLeak") products are now less strategic for us, and in January 2018, we announced plans to divest Recotrhom and Preveleak and to discontinue marketing of Raplixa, which is expected to occur in the first quarter of 2018. As a result, we plan to terminate certain contracts related to the production of Raplixa. While we expect to incur a charge in fiscal 2018 upon the successful termination of these contracts, the actual liability will not be known until our negotiations with the respective vendors have concluded.

Specialty Generics. The Specialty Generics segment has and may continue to experience customer consolidation and increased generic product approvals leading to increased competition, which is expected to result in further downward pressure on turnover, operating income and cash flows from operations. Turnover from the Specialty Generics segment were $1,052.4 million and $1,025.2 million for the fifteen months ended December 29, 2017 and the fiscal year ended September 30 2016, respectively.

In November 2014, we were informed by the U.S. Food and Drug Administration ("FDA") that it believes our Methylphenidate ER products may not be therapeutically equivalent to the category reference listed drug and the FDA reclassified our Methylphenidate ER from freely substitutable at the pharmacy level (class AB) to presumed to be therapeutically inequivalent (class BX). The FDA has indicated that it has not identified any serious safety concerns with the products. We continue to market our Methylphenidate ER products as a class BX-rated drug. The FDA's action to reclassify our Methylphenidate ER products had, and is expected to continue to have, a negative impact on turnover and operating income. Turnover of our Methylphenidate ER products were $93.7 million and $103.5 million in the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively.

On October 18, 2016, the FDA initiated proceedings, proposing to withdraw approval of Mallinckrodt's Abbreviated New Drug Application ("ANDA") for Methylphenidate ER. We have requested a hearing in the withdrawal proceedings, which has been deferred by the FDA, in order to give the Center for Drug Evaluation and Research ("CDER") an opportunity to complete its production of documents which we have requested from CDER to enable us to prepare our legal arguments in support of gaining a hearing on the withdrawal issue. CDER shared an initial set of documents with us in June 2017 and a second set of documents in October 2017. Following our receipt of the October tranche of documents from CDER, we presented a supplemental document request to CDER to ensure all of our initial document requests were fulfilled, and on February 13, 2018, CDER provided a final set of documents in response to our requests. We are currently reviewing the CDER documents and preparing the legal arguments in support of our position in the withdrawal proceedings, which we will be filing in early second quarter 2018. We plan to vigorously set forth our position in the withdrawal

Acquisitions. In February 2018 (subsequent to our fifteen months ended December 29, 2017), we acquired Sucampo. Consideration for the transaction consisted of approximately $1.2 billion, including the assumption of Sucampo's third-party debt ("the Sucampo Acquisition"). Sucampo's commercialized products include AMITIZA® (lubiprostone), a leading global product in the branded constipation market, and RESCULA® (unoprostone isopropyl ophthalmic solution) 0.15%, which is indicated for ocular hypertension and open-angle glaucoma, and marketed in Japan. In addition, Sucampo has two pipeline products that are currently in Phase 3 development: VTS-270, a developmental product for Niemann-Pick Type C, a rare, neurodegenerative, and ultimately fatal disease that can present at any age, and CPP-1X/sulindac, a developmental product for Familial Adenomatous Polyposis under a collaborative agreement between Cancer Prevention Pharmaceuticals and Sucampo. The acquisition was funded through our issuance of $600.0 million aggregate principal amount of senior secured notes in February 2018, a $900.0 million borrowing under our revolving credit facility (that was fully drawn as of December 29, 2017) and cash on hand.

Divestitures. To further execute upon our strategic vision, on February 22, 2018, our Board of Directors provided authorization to dispose of three areas of our business, which are referred to collectively as "the Specialty Generics Disposal Group" and include the following: (1) Our Specialty Generics business comprised of our Specialty Generics segment, with the exception of our external manufacturing operations; (2) certain of our non-promoted brands business, which is currently reflected in our Specialty Brands segment; and (3) our ongoing, post-divestiture supply agreement with the acquirer of the CMDS business, which is currently reflected in our Other non-operating segment. Given our shift in focus to patients with severe and critical conditions, the areas within the Specialty Generics Disposal Group no longer align with our strategic vision, as such, beginning in the first quarter of fiscal 2018, the historical financial results attributable to the Specialty Generics Disposal Group will be reflected in our consolidated financial statements as discontinued operations.

On March 16, 2018, we completed the sale of our PreveLeak and Recothrom assets to Baxter for approximately $185.0 million, with base payment of $153.0 million, inclusive of existing inventory and subject to a closing inventory adjustment, and the remainder in potential future milestones ("the PreveLeak/Recothrom Transaction"). Baxter will assume other expenses, including contingent liabilities associated with PreveLeak.

Restructuring Initiatives. We continue to realign our cost structure due to the changing nature of our business and look for opportunities to achieve operating efficiencies. In July 2013 our Board of Directors approved a restructuring program in the amount of $100.0 million to $125.0 million ("the 2013 Mallinckrodt Program") that was planned to occur over a three-year period from the approval of the program, with a two-year cost recovery period. The 2013 Mallinckrodt Program is substantially complete.

In July 2016, the Group's Board of Directors approved a $100.0 million to $125.0 million restructuring program ("the 2016 Mallinckrodt Program") designed to further improve its cost structure, as the Group continues to transform its business. The 2016 Mallinckrodt Program is expected to include actions across both the Specialty Brands and Specialty Generics segments, as well as within corporate functions. There is no specified time period associated with the 2016 Mallinckrodt Program. Through December 29, 2017, we incurred restructuring charges of $124.7 million under the 2013 Mallinckrodt Program and $50.6 million under the 2016 Mallinckrodt Program. In addition to the 2013 and 2016 Mallinckrodt Programs, we have taken restructuring actions to generate synergies from our acquisitions.

Research and Development ("R&D") Investment. We expect to continue to invest in R&D activities, as well as enter into license agreements to supplement our internal R&D initiatives. We intend to focus our R&D investments principally in the specialty pharmaceuticals areas, specifically investments to support our Specialty Brands, where we believe there is the greatest opportunity for growth and profitability.

Key Performance Indicators

The financial measures discussed below are considered "non-U.S. GAAP" financial measures. The Group has provided these adjusted financial measures because they are used by management, along with financial measures in accordance with U.S. GAAP, to evaluate the Group's operating performance. In addition, management believes that these non-U.S. GAAP financial measures will be used by certain investors to measure the Group's operating results. Management believes that presenting these non-U.S. GAAP financial measures provides useful information about the Group's performance across reporting periods on a consistent basis by excluding items which may be favorable or unfavorable that the Group does not believe are indicative of its core operating performance. These adjusted measures are also utilized in the determination of management incentive compensation.

These non-U.S. GAAP financial measures should be considered supplemental to and not a substitute for financial information prepared in accordance with U.S. GAAP or Irish GAAP FRS 102. The Group's definition of these non-U.S. GAAP financial measures may differ from similarly titled measures used by others.

We calculate our key performance indicators based upon results from ordinary activities as they reflect the ongoing operating performance of the Group and provide the best insight into current and future performance.

Turnover on a constant currency basis, which measures the change in turnover between current- and prior-year periods using a constant currency, using the exchange rate in effect during the applicable prior-year period, was 19.9% during the fifteen months ended December 29, 2017. A reconciliation of this non-U.S. GAAP financial measure to turnover, the most directly comparable U.S. GAAP financial measure, is as follows:

	Fifteen Months Ended	Fiscal Year Ended			
	December 29, 2017	**September 30, 2016**	**Increase in Turnover**	**Currency Impact**	**Turnover on a Constant Currency Basis**
Turnover from Ordinary Activities	$ 4,051.5	$ 3,380.8	19.8%	(0.1)%	19.9%

Adjusted net income, adjusted gross profit and adjusted selling, general and administrative ("SG&A") expenses represent amounts prepared in accordance with U.S. GAAP and adjusted for certain items that management believes are not reflective of the operational performance of the business. The adjustments for these items are on a pre-tax basis for adjusted gross profit and adjusted SG&A and on an after-tax basis for adjusted net income. Adjustments to U.S. GAAP amounts include, as applicable to each measure, restructuring and related charges, net; amortization and impairment charges; discontinued operations; acquisition-related expenses; changes in fair value of contingent consideration obligations; inventory step-up expenses; significant legal and environmental charges; pension settlement charges; recurrent cash tax payments to the U.S. Internal Revenue Service associated with internal installment sales transactions; and other items identified by the Group. Adjusted diluted earnings per share represent adjusted net income divided by the number of diluted shares. A reconciliation of these historical adjusted financial measures to the most directly comparable U.S. GAAP financial measures is included in the following table:

	Fifteen Months Ended December 29, 2017				Fiscal Year Ended September 30, 2016			
	Gross profit	**Selling, general and administrative expenses**	**Net income**	**Diluted net income per share**	**Gross profit**	**Selling, general and administrative expenses**	**Net income**	**Diluted net income per share**
U.S. GAAP, as previously reported (1)	$ 2,102.1	$ 1,289.2	$ 1,981.2	$ 19.87	$ 1,855.0	$ 925.3	$ 643.7	$ 5.77
Adjustments:								
Intangible asset amortization	859.8	(10.4)	870.2	8.73	692.8	(7.3)	700.1	6.28
Restructuring and related charges, net (2)	2.6	(4.2)	41.7	0.42	1.8	(3.1)	38.2	0.34
Inventory step-up expense	13.7	—	13.7	0.14	24.3	—	24.3	0.22
Income from discontinued operations	—	—	(386.8)	(3.88)	—	—	(154.7)	(1.39)
Non-restructuring impairment charges	—	—	270.7	2.72	—	—	16.9	0.15
Change in contingent consideration fair value	—	40.1	(40.1)	(0.40)	—	(4.4)	4.4	0.04
Acquisition related expenses	—	(7.5)	7.5	0.08	—	(6.9)	6.9	0.06
Pension settlement charges	—	(114.2)	114.2	1.15	—	—	—	—
Debt refinancing	—	—	10.0	0.10	—	—	—	—
Intrathecal divestiture	—	—	(56.6)	(0.57)	—	—	—	—
Significant legal and environmental charges	—	(102.0)	102.0	1.02	—	(14.5)	14.5	0.13
Reorganization of legal entity ownership (3)	—	—	(1,045.9)	(10.49)	—	—	—	—
Tax Reform (4)	—	—	(457.4)	(4.59)	—	—	—	—
Income taxes (5)	—	—	(487.4)	(4.89)	—	—	(418.6)	(3.75)
As adjusted	$ 2,978.2	$ 1,091.0	$ 937.0	$ 9.40	$ 2,573.9	$ 889.1	$ 875.7	$ 7.85

(1) Represents the fiscal year ended December 29, 2017 and the three months ended December 30, 2016 amounts reported in Annual Report on Form 10-K and the Quarterly Transition Report on Form 10-QT.

(2) Includes pre-tax accelerated depreciation.

(3) Represents the incremental tax and interest expense associated with the non-cash internal legal entity reorganization. Of the total adjustment, $8.9 million represents a one-time charge to interest expense related to the reduction in the Group's interest-bearing deferred tax liabilities.

(4) Represents the incremental tax and interest expense associated with the impact of the U.S. tax reform bill being signed into law. Of the total adjustment, $0.5 million represents a one-time reduction to interest expense related to the reduction in the Group's interest-bearing deferred tax liabilities.
(5) Includes tax effects of above adjustments as well as the elimination of deferred tax benefits recognized upon pay down of intercompany installment notes created by internal sales of acquired intangible assets.

Further information regarding non-U.S. GAAP financial measures can be found on the Investor Relations page of the Group's website.

Consolidated Results of Operations

Profit after taxation of $2,046.6 million and $590.0 million for the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, respectively, were credited to capital and reserves. No profits were distributed as dividends and the Group spent $810.5 million and $652.9 million acquiring its own shares during the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively. The following tables present the consolidated results of operations for the fiscal year ended December 29, 2017, the three months ended December 30, 2016 and the fiscal year ended September 30, 2016 as reported in the Group's Annual Report on Form 10-K. A reconciliation of the amounts reported in the Group's Annual Report on Form 10-K to the amounts reported within the Consolidated Profit and Loss Account included in this Directors' Report are included in the tables below. All discussions below are comparative between the fiscal year ended December 29, 2017 and fiscal year ended September 30, 2016. Any material activity that occurred during the three months ended December 30, 2016 is also discussed below.

	Fiscal Year Ended		Three Months Ended	Fifteen Months Ended	Fiscal Year Ended	Three Months Ended	Fifteen Months Ended
	December 29, 2017		December 30, 2016	December 29, 2017	December 29, 2017	December 30, 2016	December 29, 2017
	Ordinary Activities				Discontinued Operations		Total Company
Turnover	$ 3,221.6	100.0%	$ 829.9	$ 4,051.5	$ 31.6	$ 99.4	$ 4,182.5
Cost of sales	1,565.3	48.6	384.1	1,949.4	15.6	44.7	2,009.7
Gross profit	1,656.3	51.4	445.8	2,102.1	16.0	54.7	2,172.8
Distribution and administrative expenses [(1)]	920.9	28.6	368.3	1,289.2	8.1	16.4	1,154.8
Research and development costs	277.3	8.6	66.2	343.5	(0.1)	0.4	343.8
Restructuring charges, net	31.2	1.0	3.8	35.0	—	—	35.0
Non-restructuring impairment charges	63.7	2.0	214.3	278.0	—	—	278.0
Profit on disposal of operations [(1)]	(56.9)	(1.8)	—	(56.9)	(360.7)	(0.9)	(361.6)
Operating profit	420.1	13.0	(206.8)	213.3	368.7	38.8	722.8
Interest payable and similar charges	(369.1)	(11.5)	(91.3)	(460.4)	—	—	(460.4)
Interest receivable and similar income	4.6	0.1	0.5	5.1	—	—	5.1
Other income (loss), net	6.0	0.2	(0.9)	5.1	—	—	5.1
Profit before taxation	61.6	1.9	(298.5)	(236.9)	368.7	38.8	272.6
Taxation credit [(2)]	(1,709.6)	(53.1)	(121.7)	(1,831.3)	5.4	15.3	(1,774.0)
Profit after taxation	$ 1,771.2	55.0	$ (176.8)	$ 1,594.4	$ 363.3	$ 23.5	$ 2,046.6

(1) The $102.0 million expense related to the Federal Trade Commission ("FTC") settlement is shown in this balance for the three months ended December 30, 2016 in ordinary activities for the purposes of this Directors' Report. This settlement amount has been eliminated in the fifteen months ended December 29, 2017 Total Company column otherwise the settlement amount would be duplicative. On the Profit and Loss Account, the profit on disposal of operations of $56.9 million is shown net within distribution and administrative expenses, but for the purposes of this Directors' Report, we have bifurcated it on a separate line to facilitate the discussions below.
(2) The FTC settlement had a $36.6 million tax benefit associated with the expense shown in this balance for the three months ended December 30, 2016 in ordinary activities for the purposes of this Directors' Report. This tax benefit has been eliminated in the fifteen months ended December 29, 2017 Total Company column otherwise the settlement amount would be duplicative.

	Fiscal Year Ended September 30, 2016					
	10-K Ordinary Activities	Adjustments to Agree to Profit and Loss Account	Ordinary Activities		Discontinued Operations	Total Company
Turnover	$ 3,380.8	$ —	$ 3,380.8	100.0%	$ 479.6	$ 3,860.4
Cost of sales	1,525.8	—	1,525.8	45.1	263.5	1,789.3
Gross profit	1,855.0	—	1,855.0	54.9	216.1	2,071.1
Distribution and administrative expenses (1)	925.3	90.5	1,015.8	30.0	103.5	1,119.3
Research and development costs	262.2	—	262.2	7.8	7.0	269.2
Restructuring charges, net	33.3	—	33.3	1.0	2.3	35.6
Non-restructuring impairment charges	16.9	—	16.9	0.5	—	16.9
Profit on disposal of operations	—	—	—	—	(95.3)	(95.3)
Operating profit	617.3	(90.5)	526.8	15.6	198.6	725.4
Interest payable and similar charges	(384.6)	—	(384.6)	(11.4)	—	(384.6)
Interest receivable and similar income	1.3	—	1.3	—	0.1	1.4
Other loss, net	(0.6)	—	(0.6)	—	(0.5)	(1.1)
Profit before taxation	233.4	90.5	142.9	4.2	198.2	341.1
Taxation credit (2)	(255.6)	(36.8)	(292.4)	(8.6)	43.5	(248.9)
Profit after taxation	$ 489.0	$ (53.7)	$ 435.3	12.9	$ 154.7	$ 590.0

(1) The $102.0 million expense related to the Federal Trade Commission ("FTC") was included within the fiscal year ended September 30, 2016. The $11.5 million related to legal settlements was included in the fiscal year ended September 25, 2015, but removed from the ordinary activities of the fiscal year ended September 30, 2016.

(2) The related $36.6 million tax benefit for the FTC expense and removal of the $0.2 million for the legal settlements were included in this schedule in the Directors' Report, but reflected in the fiscal year ended September 30, 2016 on the Profit and Loss Account.

Turnover. Our turnover in fiscal 2017 decreased $159.2 million, or 4.7%, to $3,221.6 million, compared with $3,380.8 million in fiscal 2016. This decrease was driven by our Specialty Generics segment due to increased competition and customer consolidation, which has resulted in downward pricing pressure. Our Specialty Brands segment experienced an increase in turnover primarily due to growth from Inomax and favorable pricing and lower rebate expenses for H.P. Acthar Gel. However, during the latter half of fiscal 2017, turnover of H.P. Acthar Gel was impacted by patient withdrawal issues. We have taken a number of steps to address the issue, including engagement with payers, prescribers and patients and we remain focused on returning H.P. Acthar Gel to growth. Partially offsetting the increase was a decrease in turnover from Other branded products primarily driven by the sale of our Intrathecal Therapy business in the first quarter of 2017 and a decrease in turnover of Exalgo (hydromorphone HCl) extended-release tablets, CII ("Exalgo"). In addition, overall turnover growth during fiscal 2017 was negatively impacted by the extra selling week during fiscal 2016.

Turnover generated by our businesses in the U.S. was $2,899.0 million and $3,095.4 million in fiscal 2017 and 2016, respectively. Our non-U.S. businesses generated turnover of $322.6 million and $285.4 million in fiscal 2017 and 2016, respectively. Our businesses outside the U.S. represented approximately 10.0% of our turnover in fiscal 2017 and 8.4% of our turnover in fiscal 2016.

Gross profit. Gross profit for fiscal 2017 decreased $198.7 million, or 10.7%, to $1,656.3 million, compared with $1,855.0 million in fiscal 2016. Gross profit margin was 51.4% for fiscal 2017, compared with 54.9% for fiscal 2016. The decrease in gross profit and gross profit margin was primarily attributable to channel consolidation and increased price competition in the Specialty Generics segment, contributing to a $197.6 million decline in that segment's gross profit. Also negatively impacting gross profit was an increase of $13.8 million in royalty expense and $13.2 million in inventory provision expense, both of which were primarily attributable to our Specialty Brands segment.

Distribution and administrative ("D&A") expenses. D&A expenses for fiscal 2017 were $920.9 million compared with $925.3 million for fiscal 2016, a decrease of $4.4 million, or 0.5%. Fiscal 2017 included a $70.5 million charge from the recognition of previously deferred losses on the settlement of obligations associated with the termination of six defined benefit pension plans, offset by a $54.6 million decrease in fair value of the contingent consideration liability related to Raplixa, reflective of lower than previously anticipated commercial opportunities for the product. The remaining change consisted of various factors, including higher stock compensation expense and charitable contributions, partially offset by lower advertising and promotion expenses, legal fees, employee compensation costs, professional fees and pension expense following the settlement of our defined benefit pension plans. D&A expenses were 28.6% and 27.4% of turnover for fiscal 2017 and fiscal

2016, respectively. The three months ended December 30, 2016 included the $102.0 million settlement with the FTC in the Group accounts filed on the Group's Annual Report on Form 10-K. For purposes of this Directors' Report, the $102.0 million was included in D&A for fiscal 2016.

Research and development costs. R&D costs increased $15.1 million, or 5.8%, to $277.3 million in fiscal 2017, compared with $262.2 million in fiscal 2016. The increase was attributable to higher spend in the Specialty Brands segment, where our pipeline products are concentrated. This increase was partially offset by lower spend in the Specialty Generics segment and the sale of our Intrathecal Therapy business in the first quarter of fiscal 2017. Current R&D activities focus on performing clinical studies and publishing clinical and non-clinical experiences and evidence that support health economic and patient outcomes. As a percentage of our turnover, R&D expenses were 8.6% and 7.8% in fiscal 2017 and 2016, respectively.

Restructuring and related charges, net. During fiscal 2017, we recorded $36.4 million of restructuring and related charges, net, of which $5.2 million related to accelerated depreciation and was included in cost of sales. The remaining $31.2 million primarily related to exiting certain facilities and employee severance and benefits across both of our segments and corporate functions. During fiscal 2016, we recorded restructuring and related charges, net, of $38.2 million, of which $4.9 million related to accelerated depreciation and was included in cost of sales. The remaining $33.3 million primarily related to employee severance and benefits across the Specialty Brands segment and corporate functions.

Non-restructuring impairment charges. Non-restructuring impairment charges were $63.7 million for fiscal 2017 related to the Raplixa intangible asset, which resulted from lower than previously anticipated commercial opportunities for Raplixa. Non-restructuring impairment charges were $16.9 million for fiscal 2016 and related to in-process research and development intangible assets associated with the CNS Therapeutics acquisition in the fiscal year ended September 27, 2013, which resulted from delays in anticipated FDA approval, higher than expected development costs and lower than previously anticipated commercial opportunities. During the three months ended December 30, 2016, we recorded a $207.0 million impairment charge associated with our Specialty Generics segment and a $7.3 million impairment of a license associated with a product the Group elected to discontinue.

Profit on disposal of operations. We recorded profit on disposal of operations of $363.2 million and $154.7 million, net of income taxes, during fiscal 2017 and 2016, respectively. During fiscal 2017, the profit on disposal of operations included a $361.7 million gain on disposal and $4.1 million of profit from operating results, both net of tax, associated with the Nuclear Imaging business. The fiscal 2016 income from discontinued operations included a $95.3 million gain on disposal of the CMDS business and profit, net of tax, for the Nuclear Imaging business of $61.3 million.

Interest payable and similar charges and interest receivable and similar income, net. During fiscal 2017 and 2016, interest payable and similar charges net of interest receivable and similar income were $364.5 million and $383.3 million, respectively. This decrease was primarily driven by the $12.9 million decrease in interest accrued on deferred tax liabilities associated with outstanding installment notes primarily due to the Reorganization and the TCJA that reduced the interest-bearing U.S. deferred tax liabilities balance by $1,031.1 million. This reduction in the interest-bearing U.S. deferred tax liabilities also resulted in a one-time charge of $8.4 million, which partially offsets the aforementioned decrease. In addition, the lower average outstanding debt balance in fiscal 2017 compared with fiscal 2016 contributed $2.4 million to the decrease and interest expense included $21.9 million and $26.4 million of non-cash interest expense during fiscal 2017 and fiscal 2016, respectively.

Other income and losses, net. During fiscal 2017 we recorded other income, net of $6.0 million and during fiscal 2016 we recorded other losses, net of $0.6 million. Fiscal 2017 included a $10.0 million charge associated with the refinancing of our term loan, partially offset by an $8.3 million gain on debt repurchases, that aggregated to a total principal amount of $66.9 million. The remaining amounts in both fiscal years represented items including gains and losses on intercompany financing, foreign currency transactions and related hedging instruments.

Taxation. In fiscal 2017, we recognized a taxation benefit of $1,709.6 million on a profit on ordinary activities before taxation of $61.6 million. The fiscal 2017 taxation benefit is comprised of $38.1 million of current taxation expense and $1,747.7 million of deferred taxation benefit which is predominantly related to the Reorganization, TCJA and acquired intangibles. In fiscal 2016, tax benefit was $255.6 million on profit on ordinary activities before taxation of $233.4 million. The fiscal 2016 tax benefit is comprised of $120.8 million of current tax expense and $376.4 million of deferred taxation benefit which is predominantly related to acquired intangible assets. Our effective tax rate was negative 2,775.3% and negative 109.5% for fiscal 2017 and 2016, respectively. Our effective tax rate for fiscal 2017 was most significantly impacted by the recognition of $1,054.8 million tax benefit associated with the Reorganization and $456.9 million of tax benefit associated with the TCJA. Further impacts include receiving $5.5 million of tax benefit associated with $100.1 million of restructuring costs and non-restructuring impairment charges, $0.7 million of tax expense associated with $41.4 million of income from the decrease in the fair value of contingent consideration liabilities, $28.3 million of tax benefit associated with $70.5 million from the termination and settlement of our funded U.S. pension plans, $38.9 million of tax expense associated with $56.6 million of pre-tax gain associated with the sale of our Intrathecal Therapy business, $13.8 million of tax benefit primarily associated with U.S. tax credits, and $223.1 million of tax benefit associated with the rate difference between U.K. and non-U.K. jurisdictions (excluding the impact of above referenced restructuring, contingent consideration, pension plan and sale of our Intrathecal Therapy business). Our effective tax rate for fiscal 2016 was impacted by receiving $7.6 million of tax benefit associated with $40.4 million of restructuring costs, $6.2 million of tax benefit associated with $16.9 million of impairments, $31.3 million of tax benefit associated with accrued income tax liabilities and uncertain tax positions, $33.7 million of tax benefit associated with primarily U.K. and U.S. tax credits, and $249.3 million of tax benefit associated with the rate difference between U.K. and non-U.K. jurisdictions.

Principal Risks and Uncertainties

You should carefully consider the risks described below in addition to all other information provided to you in this Directors' Report and accompanying financial statements. Our competitive position, business, financial condition, results of operations and cash flows could be affected by the factors set forth below, any one of which could cause our actual results to vary materially from recent results or from our anticipated future results. The risks and uncertainties described below are those that we currently believe may materially affect our company.

Risks Related to Our Business

We operate in a rapidly changing environment that involves a number of risks, some of which are beyond our control. The following discussion highlights some of these risks and others are discussed elsewhere in this report. These and other risks could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Extensive laws and regulations govern the industry in which we operate and changes to those laws and regulations may materially adversely affect us.

The development, manufacture, marketing, sale, promotion, and distribution of our products are subject to comprehensive government regulations that govern and influence the development, testing, manufacturing, processing, packaging, holding, record keeping, safety, efficacy, approval, advertising, promotion, sale, distribution and import/export of our products.

Under these laws and regulations, we are subject to periodic inspection of our facilities, procedures and operations and/or the testing of our products by the FDA, the U.S. Drug Enforcement Association ("DEA") and similar authorities within and outside the U.S., which conduct periodic inspections to confirm that we are in compliance with all applicable requirements. We are also required to track and report adverse events and product quality problems associated with our products to the FDA and other regulatory authorities. Failure to comply with the requirements of FDA or other regulatory authorities, including a failed inspection or a failure in our adverse event reporting system, or any other unexpected or serious health or safety concerns associated with our products, including opioid pain products and H.P. Acthar Gel, could result in adverse inspection reports, warning letters, product recalls or seizures, product liability claims, labeling changes, monetary sanctions, injunctions to halt the manufacture and distribution of products, civil or criminal sanctions, refusal of a government to grant approvals or licenses, restrictions on operations or withdrawal of existing approvals and licenses. Any of these actions could cause a loss of customer confidence in our products, which could adversely affect our sales, or otherwise have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. In addition, the requirements of regulatory authorities, including interpretative guidance, are subject to change and compliance with additional or changing requirements or interpretative guidance may subject the company to further review, result in product delays or otherwise increase our costs, and thus have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Furthermore, the FDA and other foreign regulatory authorities approve drugs and medical devices for the treatment of specific indications, and products may only be promoted or marketed for the indications for which they have been approved. However, in the U.S. the FDA does not attempt to regulate physicians' use of approved products, and physicians are free to prescribe most approved products for purposes outside the indication for which they have been approved. This practice is sometimes referred to as "off-label" use. While physicians are free to prescribe approved products for unapproved uses, it is unlawful for drug and device manufacturers to market or promote a product for an unapproved use. The laws and regulations relating to the promotion of products for unapproved uses are complex and subject to substantial interpretation by the FDA and other governmental agencies. Promotion of a product for unapproved use is prohibited; however, certain activities that we and others in the pharmaceutical industry engage in are permitted by the FDA. We have compliance programs in place, including policies, training and various forms of monitoring, designed to address these risks. Nonetheless, these programs and policies may not always protect us from conduct by individual employees that violate these laws. If the FDA or any other governmental agency initiates an enforcement action against us and it is determined that we violated prohibitions relating to the promotion of products for unapproved uses in connection with past or future activities, we could be subject to substantial civil or criminal fines or damage awards and other sanctions such as consent decrees and corporate integrity agreements pursuant to which our activities would be subject to ongoing scrutiny and monitoring to ensure compliance with applicable laws and regulations. Any such fines, awards or other sanctions could have an adverse effect on our business, financial condition, results of operations and cash flows.

If our business development activities are unsuccessful, it may adversely affect us.

Part of our business strategy includes evaluating potential business development opportunities to grow the business through merger, acquisition, licensing agreements or other strategic transactions. The process to evaluate potential opportunities may be complex, time-consuming and expensive. Once a potential opportunity is identified, we may not be able to conclude negotiations of a potential transaction on terms that are satisfactory to us, which could result in a significant diversion of management and other employee time, as well as substantial out-of-pocket costs. In addition, there are a number of risks and uncertainties relating to our ability to close a potential transaction.

Once an acquisition or licensing transaction is consummated, there are further potential risks related to integration activities, including with regard to operations, personnel, technologies and products. If we are not able to successfully integrate our acquisitions in the expected time frame, we may not obtain the advantages and synergies that such acquisitions were intended to create, which may have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

In addition, we intend to continue to explore opportunities to enter into strategic collaborations with other parties, which may include other pharmaceutical companies, academic and research institutions, government agencies and other public and private research organizations. These third-party collaborators are often directly responsible for clinical development under these types of arrangements, and we may not have the same level of decision-making capabilities for the prioritization and management of development-related activities as we would for our internal research and development activities. Failures by these partners to meet their contractual, regulatory, or other obligations to us, or any disruption in the relationships with these partners, could have a material adverse effect on our pipeline and business. In addition, these collaborative relationships for research and development could extend for many years and may give rise to disputes regarding the relative rights, obligations and revenues of us versus our partners, including the ownership of intellectual property and associated rights and obligations. These could result in the loss of intellectual property rights or other intellectual property protections, delay the development and sale of potential products, and lead to lengthy and expensive litigation or arbitration.

Furthermore, the due diligence that we conduct in conjunction with an acquisition or other strategic collaboration may not sufficiently discover risks and contingent liabilities associated with the other party and, consequently, we may consummate an acquisition or otherwise enter into a strategic collaboration for which the risks and contingent liabilities are greater than were projected. In addition, in connection with acquisitions or other strategic collaborations, we could experience disruption in our business, technology and information systems, and our customers, licensors, suppliers and employees and may face difficulties in managing the expanded operations of a significantly larger and more complex company. There is also a risk that key employees of companies that we acquire or key employees necessary to successfully commercialize technologies and products that we acquire or otherwise collaborate on may seek employment elsewhere, including with our competitors. Furthermore, there may be overlap between our products or customers and the companies which we acquire or enter into strategic collaborations with that may create conflicts in relationships or other commitments detrimental to the integrated businesses or impacted products. Additionally, the time between our expenditures to acquire new products, technologies or businesses and the subsequent generation of revenues from those acquired products, technologies or businesses, or the timing of revenue recognition related to licensing agreements and/or strategic collaborations, could cause fluctuations in our financial performance from period to period. Finally, if we are unable to successfully integrate products, technologies, businesses or personnel that we acquire, we could incur significant impairment charges or other adverse financial consequences. Many of these factors are outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact our business, financial condition, results of operations and cash flows.

We have significant levels of goodwill and intangible assets which utilize our future projections of cash flows in impairment testing. Should we experience unfavorable variances from these projections these assets may have an increased risk of future impairment.

Our recent acquisitions have significantly increased goodwill and intangible assets, which were $3,482.7 million and $8,375.0 million, respectively, at December 29, 2017. At least annually, we review the carrying value of our goodwill and non-amortizing intangible assets, and for amortizing intangible assets when indicators of impairment are present. Conditions that could indicate impairment and necessitate an evaluation of goodwill and/or intangible assets include, but are not limited to, a significant adverse change in the business climate, legal or regulatory environment, or the deterioration of our market capitalization.

In performing our impairment tests, we utilize our future projections of cash flows. Projections of future cash flows are inherently subjective and reflect assumptions that may or may not ultimately be realized. Significant assumptions utilized in our projections include, but are not limited to, our evaluation of the market opportunity for our products, the current and future competitive landscape and resulting impacts to product pricing, future legislative and regulatory actions or the lack thereof, planned strategic initiatives, the ability to achieve cost synergies from acquisitions, the realization of benefits associated with our existing and anticipated patents and regulatory approvals. Given the inherent subjectivity and uncertainty in projections, we could experience significant unfavorable variances in future periods or revise our projections downward. This would result in an increased risk that our goodwill and intangible assets may be impaired. If an impairment were recognized, this could have a material impact to our financial condition and results of operations.

We may be unable to successfully develop, commercialize or launch new products or expand commercial opportunities for existing products or adapt to a changing technology and, as a result, our business may suffer.

Our future results of operations will depend, to a significant extent, upon our ability to successfully develop, commercialize and launch new products or expand commercial opportunities for existing products in a timely manner. There are numerous difficulties in developing, commercializing and launching new products or expanding commercial opportunities for existing products, including:

- developing, testing and manufacturing products in compliance with regulatory and quality standards in a timely manner;
- our ability to successfully engage with the FDA or other regulatory authorities as part of the approval process and to receive requisite regulatory approvals for such products in a timely manner, or at all;
- the availability, on commercially reasonable terms, of raw materials, including API and other key ingredients;
- developing, commercializing and launching a new product is time-consuming, costly and subject to numerous factors, including legal actions brought by our competitors, that may delay or prevent the development, commercialization and/or launch of new products;
- unanticipated costs;
- payment of prescription drug user fees to the FDA to defray the costs of review and approval of marketing applications for branded and generic drugs;
- experiencing delays as a result of limited resources at the FDA or other regulatory authorities;
- changing review and approval policies and standards at the FDA or other regulatory authorities;
- potential delays in the commercialization of generic products by up to 30 months resulting from the listing of patents with the FDA;
- effective execution of the product launches in a manner that is consistent with expected timelines and anticipated costs; and
- identifying appropriate partners for distribution of our products, including for any future over-the-counter commercialization opportunities, and negotiating contractual arrangements in a timely manner with commercially reasonable terms.

As a result of these and other difficulties, products currently in development by us may or may not receive timely regulatory approvals, or approvals at all. This risk is heightened with respect to the development of proprietary branded products due to the uncertainties, higher costs and length of time associated with R&D of such products and the inherent unproven market acceptance of such products. Moreover, the FDA regulates the facilities, processes and procedures used to manufacture and market pharmaceutical products in the U.S. Manufacturing facilities must be registered with the FDA and all products made in such facilities must be manufactured in accordance with cGMP regulations enforced by the FDA. Compliance with cGMP regulations requires the dedication of substantial resources and requires significant expenditures. The FDA periodically inspects both our facilities and procedures to ensure compliance with regulatory standards. The FDA may cause a suspension or withdrawal of product approvals if regulatory standards are not maintained. In the event an approved manufacturing facility for a particular drug is required by the FDA to curtail or cease operations, or otherwise becomes inoperable, obtaining the required FDA authorization to manufacture at the same or a different manufacturing site could result in production delays, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Furthermore, the market perception and reputation of our products are important to our business and the continued acceptance of our products. Any negative press reports or other commentary about our products, whether accurate or not, could have a material adverse effect on our business, reputation, financial condition, cash flows or results of operation or could cause the market value of our common shares and/or debt securities to decline.

With respect to generic products for which we are the first developer to have its application accepted for filing by the FDA, and which filing includes a certification that the applicable patent(s) are invalid, unenforceable and/or not infringed (known as a "Paragraph IV certification"), our ability to obtain and realize the full benefits of 180-days of market exclusivity is dependent upon a number of factors, including, being the first to file, the status of any litigation that might be brought against us as a result of our filing or our not meeting regulatory, manufacturing or quality requirements or standards. If any of our products are not approved timely, or if we are unable to obtain and realize the full benefits of the respective market exclusivity period for our products, or if our products cannot be successfully manufactured or commercialized timely, our results of operations could be materially adversely affected. In addition, we cannot guarantee that any investment we make in developing products will be recouped, even if we are successful in commercializing those products. Finally, once developed and approved, new products may fail to achieve commercial acceptance due to the price of the product, third-party reimbursement of the product and the effectiveness of sales and marketing efforts to support the product.

We may be unable to protect our intellectual property rights, intellectual property rights may be limited or we may be subject to claims that we infringe on the intellectual property rights of others.

We rely on a combination of patents, trademarks, trade secrets, proprietary know-how, market exclusivity gained from the regulatory approval process and other intellectual property to support our business strategy, most notably in relation to H.P. Acthar Gel, Ofirmev, Inomax and Therakos products. However, our efforts to protect our intellectual property rights may not be sufficient. If we do not obtain sufficient protection for our intellectual property, or if we are unable to effectively enforce our intellectual property rights, or if there is a change in the way courts and regulators interpret the laws, rules and regulations applicable to our intellectual property, our competitiveness could be impacted, which could adversely affect our competitive position, business, financial condition, results of operations and cash flows.

The composition patent for H.P. Acthar Gel has expired and we have no patent-based market exclusivity with respect to any indication or condition we might target. We rely on trade secrets and proprietary know-how to protect the commercial viability and value of H.P. Acthar Gel. We currently obtain such protection, in part, through confidentiality and proprietary information agreements. These agreements may not provide meaningful protection or adequate remedies for proprietary technology in the event of unauthorized use or disclosure of confidential and proprietary information. The parties may not comply with or may breach these agreements. Furthermore, our trade secrets may otherwise become known to, or be independently developed by, competitors.

Certain patents related to the use of therapeutic nitric oxide for treating or preventing bronchoconstriction or reversible pulmonary vasoconstriction expired in 2013. Prior to their expiration, we depended, in part, upon these patents to provide us with exclusive marketing rights for our product for some period of time. Since then, we have obtained new patents, which expire at various dates through 2036, on methods of identifying patients at risk of serious adverse events when nitric oxide is administered to patients with particular heart conditions. Such methods have been approved by the FDA for inclusion on the Inomax warning label, on inhaled nitric oxide gas delivery systems as well as methods of using such systems, and on use of nitric oxide gas sensors. The Paragraph IV patent litigation trial against Praxair to prevent the marketing of potential infringing generic products prior to the expiration of the patents covering Inomax was held in March 2017 and a decision was rendered September 5, 2017 that ruled five patents invalid and six patents not infringed. We have appealed the decision to the Court of Appeals for the Federal Circuit. An adverse outcome in the appeal of the Praxair litigation decision ultimately could result in the launch of a generic version of Inomax before the expiration of the last of the patents listed in the FDA Orange Book, which could adversely affect our ability to successfully maximize the value of Inomax and have an adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The active ingredient in Ofirmev is acetaminophen. Patent protection is not available for the acetaminophen molecule itself in the territories licensed to us, which include the U.S. and Canada. As a result, competitors who obtain the requisite regulatory approval can offer products with the same active ingredient as Ofirmev so long as the competitors do not infringe any process or formulation patents that we have in-licensed from Bristol-Myers Squibb Company ("BMS") and its licensor, New Pharmatop LLC ("Pharmatop") and any method-of-use patents that we subsequently obtained. The latest expiration date of the in-licensed patents is 2021 whereas the latest expiration date of the subsequently obtained Group-owned patents is 2032. Settlement agreements have been reached in association with certain challenges to the in-licensed patents, which allow for generic competition to Ofirmev in December 2020, or earlier under certain circumstances.

Our Therakos products focus on extracorporeal photopheresis, which is an autologous immune cell therapy that is indicated in the U.S. for skin manifestations of cutaneous T-Cell lymphoma ("CTCL") and is available for several additional indications in markets outside the U.S. In the extracorporeal photopheresis ("ECP") process, blood is drawn from the patient, separating white blood cells from plasma and red blood cells (which are immediately returned to the patient). The separated white blood cells are treated with an Ultraviolet-A ("UVA") light activated drug, UVADEX® (methoxsalen) Sterile Solution, followed by UVA radiation in the photopheresis instrument, prior to being returned to the patient. Patents related to the methoxsalen composition have expired. Therakos manufactures two photopheresis systems, the CELLEX® Photopheresis System ("CELLEX"), which is the only FDA-approved closed ECP system, and the UVAR XTS® Photopheresis System ("UVAR XTS"). In addition, disposable, sterile kits are supplied to be used with each of the systems. The kits are single use and discarded after a treatment. Certain key patents related to the UVAR XTS system, disposable kit and overall photopheresis method expire in 2020. Key patents related to the CELLEX system, disposable kit and overall photopheresis method expire in 2023. We continue to pursue additional patentable enhancements to the Therakos ECP system. Patent applications were filed in 2016 relating to improvements to the CELLEX system, disposable kit and overall photopheresis method, that, if approved, may offer patent protection through approximately 2036.

Our pending patent applications may not result in the issuance of patents, or the patents issued to or licensed by us in the past or in the future may be challenged or circumvented by competitors. Existing patents may be found to be invalid or insufficiently broad to preclude our competitors from using methods or making or selling products similar or identical to those covered by our patents and patent applications. Regulatory agencies may refuse to grant us the market exclusivity that we were anticipating, or may unexpectedly grant market exclusivity rights to other parties. In addition, our ability to obtain and enforce intellectual property rights is limited by the unique laws of each country. In some countries it may be particularly difficult to adequately obtain or enforce intellectual property rights, which could make it easier for competitors to capture market share in such countries by utilizing technologies and product features that are similar or identical to those developed or licensed by us. Competitors also may harm our sales by designing products that mirror the capabilities of our products or technology without infringing our patents, including by coupling separate technologies to replicate what our products accomplish through a single system. Competitors may diminish the value of our trade secrets by reverse engineering or by independent invention. Additionally, current or former employees may improperly disclose such trade secrets to competitors or other third parties. We may not become aware of any such improper disclosure, and, in the event we do become aware, we may not have an adequate remedy available to us.

We operate in an industry characterized by extensive patent litigation, and we may from time to time be a party to such litigation. Such litigation and related matters are described in Note 27 of the Notes to Consolidated Financial Statements.

The pursuit of or defense against patent infringement is costly and time-consuming and we may not know the outcomes of such litigation for protracted periods of time. We may be unsuccessful in our efforts to enforce our patent or other intellectual property rights. In addition, patent litigation can result in significant damage awards, including the possibility of treble damages and injunctions. Additionally, we could be forced to stop manufacturing and selling certain products, or we may need to enter into license agreements that require us to make significant royalty or up-front payments in order to continue selling the affected products. Given the nature of our industry, we are likely to face additional claims of patent infringement in the future. A successful claim of patent or other intellectual property infringement against us could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

The DEA regulates the availability of controlled substances that are API, drug products under development and marketed drug products. At times, the procurement and manufacturing quotas granted by the DEA may be insufficient to meet our commercial and R&D needs.

The DEA is the U.S. federal agency responsible for domestic enforcement of the Controlled Substances Act ("CSA"). The CSA classifies drugs and other substances based on identified potential for abuse. Schedule I controlled substances, such as heroin and LSD, have a high abuse potential and have no currently accepted medical use; thus, they cannot be lawfully marketed or sold. Schedule II controlled substances include molecules such as oxycodone, oxymorphone, morphine, fentanyl, and hydrocodone. The manufacture, storage, distribution and sale of these controlled substances are permitted, but highly regulated. The DEA regulates the availability of API, products under development and marketed drug products that are Schedule II by setting annual quotas. Every year, we must apply to the DEA for manufacturing quota to manufacture API and procurement quota to manufacture finished dosage products. Given that the DEA has discretion to grant or deny our manufacturing and procurement quota requests, the quota the DEA grants may be insufficient to meet our commercial and R&D needs. Through the end of calendar 2017, manufacturing and procurement quotas granted by the DEA were sufficient to meet our sales and inventory requirements on most products. In November 2017, the DEA reduced the amount of almost every Schedule II opiate and opioid medication that may be manufactured in the United States in calendar year 2018 by 20 percent. Future delay or refusal by the DEA to grant, in whole or in part, our quota requests could delay or result in stopping the manufacture of our marketed drug products, new product launches or the conduct of bioequivalence studies and clinical trials.

Such delay or refusal also could require us to allocate marketed drug products among our customers. These factors, along with any delay or refusal by the DEA to provide customers who purchase API from us with sufficient quota, could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Our customer concentration may materially adversely affect our business.

We sell a significant amount of our products to a limited number of independent wholesale drug distributors, large pharmacy chains and specialty pharmaceutical distributors. In turn, these wholesale drug distributors, large pharmacy chains and specialty pharmaceutical distributors supply products to pharmacies, hospitals, governmental agencies and physicians. Sales to four of our distributors that supply our products to many end user customers, AmerisourceBergen, Cardinal Health, Inc., CuraScript Inc. and McKesson Corporation, each accounted for 10% or more of our total turnover in at least one of the past three fiscal years. If we were to lose the business of these distributors, if these distributors failed to fulfill their obligations, if these distributors were to experience difficulty in paying us on a timely basis, or if these distributors negotiate lower pricing terms, the occurrence of one or more of these factors could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Our product concentration may materially adversely affect our business.

We sell a wide variety of products including specialty branded and specialty generic pharmaceuticals, as well as API. However, a small number of relatively significant products, most notably H.P. Acthar Gel and to a lesser extent, Inomax, Ofirmev and Therakos, represent a significant percentage of our turnover. Our ability to maintain and increase turnover from these products depends on several factors, including:

- our ability to increase market demand for products through our own marketing and support of our sales force;
- our ability to implement and maintain pricing and continue to maintain or increase market demand for these products;
- our ability to achieve hospital and other third-party payer formulary acceptance, and maintain reimbursement levels by third-party payers;
- our ability to maintain confidentiality of the proprietary know-how and trade secrets relating to H.P. Acthar Gel;
- our ability to maintain and defend the patent protection and regulatory exclusivity of Ofirmev and Inomax;
- our ability to continue to procure raw materials or finished goods, as applicable, for H.P. Acthar Gel, Ofirmev, Inomax and Therakos from internal and third-party manufacturers in sufficient quantities and at acceptable quality and pricing levels in order to meet commercial demand;
- our ability to maintain fees and discounts payable to the wholesalers and distributors and group purchasing organizations, at commercially reasonable levels;
- whether the Department of Justice ("DOJ") or third parties seek to challenge and are successful in challenging patents or patent-related settlement agreements or our sales and marketing practices;
- warnings or limitations that may be required to be added to FDA-approved labeling; and
- the occurrence of adverse side effects related to or emergence of new information related to the therapeutic efficacy of these products, and any resulting product liability claims or product recalls.

Moreover, turnover of H.P. Acthar Gel may also be materially impacted by the decrease in the relatively small number of prescriptions written for H.P. Acthar Gel as compared to other products in our portfolio, given H.P. Acthar Gel's use in treating rare diseases. Any disruption in our ability to generate turnover from H.P. Acthar Gel could have an adverse impact on our business, financial condition, results of operations and cash flows.

Cost-containment efforts of our customers, purchasing groups, third-party payers and governmental organizations could materially adversely affect our business.

In an effort to reduce cost, many existing and potential customers for our products within the U.S. have become members of Group Purchasing Organizations ("GPOs") and integrated delivery networks ("IDNs"). GPOs and IDNs negotiate pricing arrangements with healthcare product manufacturers and distributors and offer the negotiated prices to affiliated hospitals and other members. GPOs and IDNs typically award contracts on a category-by-category basis through a competitive bidding process. Bids are generally solicited from multiple manufacturers with the intention of driving down pricing. Due to the highly competitive nature of the GPO and IDN contracting processes, there is no assurance that we will be able to obtain or maintain contracts with major GPOs and IDNs across our product portfolio. Furthermore, the increasing leverage of organized buying groups may reduce market prices for our products, thereby reducing our profitability. While having a contract with a GPO or IDN for a given product can facilitate sales to members of that GPO or IDN, having a contract is no assurance that sales volume of those products will be maintained. GPOs and IDNs increasingly are awarding contracts to multiple suppliers for the same product category. Even when we are the sole contracted supplier of a GPO or IDN for a certain product, members of the GPO or IDN generally are free to purchase from other suppliers. Furthermore, GPO and IDN contracts typically are terminable without cause upon 60 to 90 days prior notice. Accordingly, our turnover and results of operations may be negatively affected by the loss of a contract with a GPO or IDN. In addition, although we have contracts with many major GPOs and IDNs, the members of such groups may choose to purchase from our competitors, which could result in a decline in our turnover. Distributors of our products are also forming strategic alliances and negotiating terms of sale more aggressively in an effort to increase their profitability. Failure to negotiate distribution arrangements having advantageous pricing and other terms of sale could cause us to lose market share to our competitors or result in lower pricing on volume we retain, both of which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. Outside the U.S., we have experienced pricing pressure due to the concentration of purchasing power in centralized governmental healthcare authorities and increased efforts by such authorities to lower healthcare costs. We frequently are required to engage in competitive bidding for the sale of our products to governmental purchasing agents. Our failure to maintain volume and pricing with historical or anticipated levels could materially adversely affect our business, financial condition, results of operations and cash flows.

Sales of our products are affected by the reimbursement practices of governmental health administration authorities, private health coverage insurers and other third-party payers. In addition, reimbursement criteria or policies and the use of tender systems outside the U.S. could reduce prices for our products or reduce our market opportunities.

Sales of our products, depend, in part, on the extent to which the costs of our products are reimbursed by governmental health administration authorities, private health coverage insurers and other third-party payers. The ability of patients to obtain appropriate reimbursement for products and services from these third-party payers affects the selection of products they purchase and the prices they are willing to pay. In the U.S., there have been, and we expect there will continue to be, a number of state and federal proposals that limit the amount that third-party payers may pay to reimburse the cost of drugs, for example with respect to H.P. Acthar Gel. We believe the increasing emphasis on managed care in the U.S. has and will continue to put pressure on the usage and reimbursement of H.P. Acthar Gel.

Reimbursement of highly-specialized products, such as H.P. Acthar Gel, is typically reviewed and approved or denied on a patient-by-patient, case-by-case basis, after careful review of details regarding a patient’s health and treatment history that is provided to the insurance carriers through a prior authorization submission, and appeal submission, if applicable. During this case-by-case review, the reviewer may refer to coverage guidelines issued by that carrier. These coverage guidelines are subject to on-going review by insurance carriers. Because of the large number of carriers, there are a large number of guideline updates issued each year.

In addition, demand for new products may be limited unless we obtain reimbursement approval from governmental and private third-party payers prior to introduction. Reimbursement criteria, which vary by country, are becoming increasingly stringent and require management expertise and significant attention to obtain and maintain qualification for reimbursement.

In addition, a number of markets in which we operate have implemented or may implement tender systems in an effort to lower prices. Under such tender systems, manufacturers submit bids which establish prices for products. The company that wins the tender receives preferential reimbursement for a period of time. Accordingly, the tender system often results in companies underbidding one another by proposing low pricing in order to win the tender. Certain other countries may consider implementation of a tender system. Even if a tender system is ultimately not implemented, the anticipation of such could result in price reductions. Failing to win tenders, or the implementation of similar systems in other markets leading to price declines, could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We are unable to predict what additional legislation or regulation or changes in third-party coverage and reimbursement policies may be enacted or issued in the future or what effect such legislation, regulation and policy changes would have on our business.

We may experience pricing pressure on certain of our products due to legal changes or changes in insurers' reimbursement practices resulting from increased public scrutiny of healthcare and pharmaceutical costs, which could reduce our future revenue and profitability.

Public and governmental scrutiny of the cost of healthcare generally and pharmaceuticals in particular, especially in connection with price increases of certain products, could affect our ability to maintain or increase the prices of one or more of our products, which could negatively impact our future revenue and profitability. Certain press reports and other commentary have criticized the substantial increases in the price of H.P. Acthar Gel that occurred prior to our acquisition of the product. H.P. Acthar Gel represented 36% of our turnover for the fifteen months ended December 29, 2017. In addition, U.S. federal prosecutors have issued subpoenas to certain pharmaceutical companies seeking information about their drug pricing practices, among other issues, and members of the U.S. Congress have sought information from certain pharmaceutical companies relating to drug price increases. We cannot predict whether any particular legislative or regulatory changes or changes in insurers' reimbursement practices may result from any such public scrutiny, what the nature of any such changes might be or what impact they may have on us. If legislative or regulatory action were taken or insurers changed their reimbursement practices to limit our ability to maintain or increase the prices of our products, our financial condition, results of operations and cash flows could be negatively affected.

Clinical trials demonstrating the efficacy for H.P. Acthar Gel are limited. The absence of such clinical trial data could cause physicians not to prescribe H.P. Acthar Gel, which could negatively impact our business.

Our turnover of H.P. Acthar Gel, which has and is expected to comprise a significant portion of our overall product portfolio, could be negatively impacted by the level of clinical data available on the product. H.P. Acthar Gel was originally approved by the FDA in 1952, prior to the enactment of the 1962 Kefauver Harris Amendment, or the "Drug Efficacy Amendment," to the Food, Drug, and Cosmetic Act. This Amendment introduced the requirement that drug manufacturers provide proof of the effectiveness (in addition to the previously required proof of safety) of their drugs in order to obtain FDA approval. As such, the FDA's original approval in 1952 was based on safety data as clinical trials evaluating efficacy were not then required. In the 1970s, the FDA reviewed the safety and efficacy of H.P. Acthar Gel during its approval of H.P. Acthar Gel for the treatment of acute exacerbations in multiple sclerosis and evaluated all other previous indications on the label through the Drug Efficacy Study Implementation ("DESI") process. In this process, the medical and scientific merits of the label and each indication on the label were evaluated based on publications, information from sponsors, and the judgment of the FDA. The label obtained after the DESI review and the addition of the multiple sclerosis indication is the H.P. Acthar Gel label that was used until the most recent changes in 2010.

In 2010, in connection with its review of a supplemental New Drug Application ("NDA") for use of H.P. Acthar Gel in treatment of infantile spasms ("IS"), the FDA again reviewed evidence of safety and efficacy of H.P. Acthar Gel, and added the IS indication to the label of approved indications while maintaining approval of H.P. Acthar Gel for treatment of acute exacerbations in multiple sclerosis and 17 other indications. In conjunction with its decision to retain these 19 indications on a modernized H.P. Acthar Gel label, the FDA eliminated approximately 30 other indications from the label. The FDA review included a medical and scientific review of H.P. Acthar Gel and each indication and an evaluation of available clinical and non-clinical literature as of the date of the review. The FDA did not require additional clinical trials for H.P. Acthar Gel.

Accordingly, evidence of efficacy is largely based on physician's clinical experience with H.P. Acthar Gel and does not include clinical trials except for the multiple sclerosis and infantile spasms indications. Despite recent increases in H.P. Acthar Gel prescriptions for several of its on-label indications, this limited clinical data of efficacy could impact future sales of H.P. Acthar Gel. We have initiated Phase 4 clinical trials to supplement the non-clinical evidence supporting the use of H.P. Acthar Gel in the treatment of the on-label indications of idiopathic membranous nephropathy and systemic lupus erythematosus. The completion of such ongoing or future clinical trials to provide further evidence on the efficacy of H.P. Acthar Gel in the treatment of its approved indications could take several years to complete and will require the expenditure of significant time and financial and management resources. Such clinical trials may not result in data that supports the use of H.P. Acthar Gel to treat any of its approved indications. In addition, a clinical trial to evaluate the use of H.P. Acthar Gel to treat indications not on the current H.P. Acthar Gel label may not provide a basis to pursue adding such indications to the current H.P. Acthar Gel label. Furthermore, even if prescribed by a physician, third-party payers may implement restrictions on reimbursement of H.P. Acthar Gel due, in part, to the limited clinical data of efficacy, which may negatively impact our business, financial condition, results of operations and cash flows.

Our reporting and payment obligations under the Medicare and Medicaid rebate programs, and other governmental purchasing and rebate programs, are complex. Any determination of failure to comply with these obligations or those relating to healthcare fraud and abuse laws could have a material adverse effect on our business.

The regulations regarding reporting and payment obligations with respect to Medicare and Medicaid reimbursement programs, and rebates and other governmental programs, are complex. Because our processes for these calculations and the judgments used in making these calculations involve subjective decisions and complex methodologies, these accruals may have a higher inherent risk for material changes in estimates. In addition, they are subject to review and challenge by the applicable governmental agencies, and it is possible that such reviews could result in material adjustments to amounts previously paid.

Any governmental agencies that have commenced, or may commence, an investigation of Mallinckrodt relating to the sales, marketing, pricing, quality or manufacturing of pharmaceutical products could seek to impose, based on a claim of violation of fraud and false claims laws or otherwise, civil and/or criminal sanctions, including fines, penalties and possible exclusion from federal healthcare programs including Medicare and Medicaid. Some of the applicable laws may impose liability even in the absence of specific intent to defraud. Furthermore, should there be ambiguity with regard to how to properly calculate and report payments, and even in the absence of any such ambiguity, a governmental authority may take a position contrary to a position we have taken, and may impose civil and/or criminal sanctions. For example, from time to time, state attorneys general have brought cases against us that allege generally that we and numerous other pharmaceutical companies reported false pricing information in connection with certain drugs that are reimbursable under Medicaid, resulting in overpayment by state Medicaid programs for those drugs, and generally seek monetary damages and attorneys' fees. Any such penalties or sanctions that we might become subject to in this or other actions could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may not achieve the anticipated benefits of price increases enacted on our pharmaceutical products, which may adversely affect our business.

From time to time, we may initiate price increases on certain of our pharmaceutical products. There is no guarantee that our customers will be receptive to these price increases and continue to purchase the products at historical quantities. In addition, it is unclear how market participants will react to price increases. For example, following pricing actions in our Specialty Generics segment in fiscal 2015, additional competitors entered the marketplace for several of these products and prices subsequently decreased. If customers do not maintain or increase existing sales volumes or market participants do not take similar actions after price increases are enacted, we may be unable to replace lost sales with orders from other customers, and it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may not achieve some or all of the expected benefits of our restructuring activities and our restructuring activities may adversely affect our business.

From time to time, we initiate restructuring activities as we continue to realign our cost structure due to the changing nature of our business and look for opportunities to achieve operating efficiencies that will reduce costs. We may not be able to obtain the cost savings and benefits that were initially anticipated when we initiated such restructuring activities. Additionally, as a result of our restructuring activities we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods. Reorganizations and restructurings can require a significant amount of management and other employees' time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of our restructuring activities, it could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The manufacture of our products is highly exacting and complex, and our business could suffer if we, or our suppliers, encounter manufacturing or supply problems.

The manufacture of our products is highly exacting and complex, due in part to strict regulatory and manufacturing requirements, as well as due to the biologic nature of some of our products which are inherently more difficult to manufacture than chemical-based products. Problems may arise during manufacturing for a variety of reasons including equipment malfunction, failure to follow specific protocols and procedures, defective raw materials and environmental factors. If a batch of finished product fails to meet quality standards during a production run, then that entire batch of product may have to be discarded. These problems could lead to launch delays, product shortages, backorders, increased costs (including contractual damages for failure to meet supply requirements), lost revenue, damage to our reputation and customer relationships, time and expense spent investigating, correcting and preventing the root causes and, depending on the root causes, similar losses with respect to other products. If manufacturing problems are not discovered before the product is released to the market, we also could incur product recall and product liability costs. If we incur a product recall or product liability costs involving one of our products, such product could receive reduced market acceptance and thus reduced product demand and could harm our reputation and our ability to market our products in the future. Significant manufacturing problems could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We rely on third-party manufacturers to manufacture certain components of our products and certain of our finished products. In the event that these third-party manufacturers cease to manufacture sufficient quantities of our products or components in a timely manner and on terms acceptable to us, we could be forced to locate alternate third-party manufacturers. Additionally, if our third-party manufacturers experience a failure in their production process, are unable to obtain sufficient quantities of the components necessary to manufacture our products or otherwise fail to meet regulatory or quality requirements, we may be forced to delay the manufacture and sale of our products or locate an alternative third-party manufacturer. Several of our products are manufactured at a single manufacturing facility or stored at a single storage site. Loss or damage to a manufacturing facility or storage site due to a natural disaster or otherwise could adversely affect our ability to manufacture sufficient quantities of key products or otherwise deliver products to meet customer demand or contractual requirements which may result in a loss of revenue and other adverse business consequences. Furthermore, while we work closely with our suppliers to ensure the continuity of supply and to diversify our sources of components and materials, in certain instances we do acquire components and materials from a sole supplier. Although we do carry strategic inventory and maintain insurance to mitigate the potential risk related to any related supply disruption, there can be no assurance that such measures will be effective. Because of the time required to obtain regulatory approval and licensing of a manufacturing facility, an alternate third-party manufacturer may not be available on a timely basis to replace production capacity in the event we lose manufacturing capacity, experiences supply challenges, or products are otherwise not available due to natural disaster, regulatory action or otherwise.

Significant manufacturing problems could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We face significant competition and may not be able to compete effectively.

The industries in which we operate are highly competitive. Competition takes many forms, such as price reductions on products that are comparable to our own, development of new products with different mechanisms that obviate the need for our treatments, acquisition or in-licensing of new products that may be more cost-effective than or have performance superior to our products, the introduction of generic versions when our proprietary products lose their patent protection or market exclusivity, and the coupling of separate technologies to replicate what our products accomplish through a single system. This competition may limit the effectiveness of any price increases we initiate. Following any price increase by us, competitors may elect to maintain a lower price point that may result in a decline in our sales volume. For further discussion on the competitive nature of our business, as well as the intellectual property rights and market exclusivity that play a key role in our business, refer to Item 1. Business included within the Annual Report on Form 10-K. Our failure to compete effectively could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may incur product liability losses and other litigation liability.

We are or may be involved in various legal proceedings and certain government inquiries and investigations, including with respect to, but not limited to, patent infringement, product liability, personal injury, antitrust matters, securities class action lawsuits, breach of contract, Medicare and Medicaid reimbursement claims, opioid related matters, promotional practices and compliance with laws relating to the manufacture and sale of controlled substances. For example, we, along with other opioid manufacturers and, often, distributors, have been named in lawsuits related to the manufacturing, distribution, marketing and promotion of opioids. In addition, we have also received various subpoenas and requests for information related to the distribution, marketing and sale of our opioid products. Such proceedings, inquiries and investigations may involve claims for, or the possibility of, fines and penalties involving substantial amounts of money or other relief, including but not limited to civil or criminal fines and penalties, changes in business practices and exclusion from participation in various government healthcare-related programs. Such litigation and related matters are described in Note 27 of the Notes to Consolidated Financial Statements. If any of these legal proceedings, inquiries or investigations were to result in an adverse outcome, the impact could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

With respect to product liability and clinical trial risks, in the ordinary course of business we are subject to liability claims and lawsuits, including potential class actions, alleging that our marketed products or products in development have caused, or could cause, serious adverse events or other injury. Any such claim brought against us, with or without merit, could be costly to defend and could result in an increase in our insurance premiums. We retain liability for $10.0 million per claim of the first

$40.0 million of a loss in our primary liability policies and purchase an additional $135.0 million using a combination of umbrella/excess liability policies with respect to any such claims. We believe this coverage level is adequate to address our current risk exposure related to product liability claims and lawsuits. However, some claims brought against us might not be covered by our insurance policies. Moreover, where the claim is covered by our insurance, if our insurance coverage is inadequate, we would have to pay the amount of any settlement or judgment that is in excess of our policy limits. We may not be able to obtain insurance on terms acceptable to us or at all since insurance varies in cost and can be difficult to obtain. Our failure to maintain adequate insurance coverage or successfully defend against product liability claims could have a material adverse effect on our business, financial condition, results of operations and cash flows.

The healthcare industry has been under increasing scrutiny from governments, legislative bodies and enforcement agencies related to the promotion of products and related activities, and changes to, or non-compliance with, relevant policies, laws, regulations or government guidance may result in actions that could adversely affect our business.

In the U.S. over the past several years, a significant number of pharmaceutical and biotechnology companies have been subject to inquiries and investigations by various federal and state regulatory, investigative, prosecutorial and administrative entities in connection with the promotion of products for unapproved uses and other sales, marketing and pricing practices, including the DOJ and various other agencies including the Office of the Inspector General within the Department of Health and Human Services (OIG), the FDA, the FTC and various state Attorneys General offices. These investigations have alleged violations of various federal and state laws and regulations, including claims asserting antitrust violations, violations of the Food, Drug and Cosmetic Act, the False Claims Act, the Prescription Drug Marketing Act, anti-kickback laws, data and patient privacy laws, export and import laws, and other alleged violations in connection with the promotion of products for unapproved uses, pricing and Medicare and/or Medicaid reimbursement. The DOJ and the U.S. Securities and Exchange Commission ("SEC") have also increased their focus on the enforcement of the Foreign Corrupt Practices Act ("FCPA"), particularly as it relates to the conduct of pharmaceutical companies.

Many of these investigations originate as “qui tam” actions under the False Claims Act. Under the False Claims Act, any individual can bring a claim on behalf of the government alleging that a person or entity has presented a false claim, or caused a false claim to be submitted, to the government for payment. The person bringing a "qui tam" suit is entitled to a share of any recovery or settlement. Qui tam suits, also commonly referred to as “whistleblower suits,” are often brought by current or former employees. In a qui tam suit, the government must decide whether to intervene and prosecute the case. If the government declines to intervene and prosecute the case, the individual may pursue the case alone. If the FDA or any other governmental agency initiates an enforcement action against us or if we are the subject of a qui tam suit and it is determined that we violated prohibitions relating to the promotion of products for unapproved uses in connection with past or future activities, we could be subject to substantial civil or criminal fines or damage awards and other sanctions such as the possible exclusion from federal healthcare programs including Medicare and Medicaid, consent decrees and corporate integrity agreements pursuant to which our activities would be subject to ongoing scrutiny and monitoring to ensure compliance with applicable laws and regulations. Any such fines, awards or other sanctions could have an adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Specific to our business, in September 2012, prior to our acquisition of Questcor Pharmaceuticals, Inc. ("Questcor") in August 2014, a subpoena was received from the United States Attorney’s Office ("USAO") for the Eastern District of Pennsylvania, requesting documents pertaining to an investigation of its promotional practices, and we are fully cooperating with this investigation. If any of our current practices related to the legacy Questcor business are found to be unlawful, we will have to change those practices, which could have a material adverse effect on our business, financial condition and results of operations. Further, if as a result of this investigation we are found to have violated one or more applicable laws, we could be subject to a variety of fines, penalties, and related administrative sanctions, and our business, financial condition, results of operations and cash flows could be materially adversely affected.

In addition, there has recently been enhanced scrutiny of company-sponsored patient assistance programs, including insurance premium and co-pay assistance programs and donations to third-party charities that provide such assistance. If we are deemed to have failed to comply with relevant laws, regulations or government guidance in any of these areas, we could be subject to criminal and civil sanctions, including significant fines, civil monetary penalties and exclusion from participation in government healthcare programs, including Medicare and Medicaid, actions against executives overseeing our business, and burdensome remediation measures. The USAO for the Eastern District of Pennsylvania is looking into this issue. In addition, in December 2016, we received a subpoena from the USAO for the District of Massachusetts requesting documents related to our support of 501(c)(3) organizations that provide financial assistance to patients and documents concerning our provision of financial assistance to patients prescribed H.P. Acthar Gel. Other companies have disclosed similar inquiries. We are cooperating with this inquiry. It is possible that any actions taken by the DOJ or one of the USAOs as a result of this inquiry or any future action taken by federal or local governments, legislative bodies and enforcement agencies on this subject could result in civil penalties or injunctive relief, negative publicity or other negative actions that could harm our reputation, and could reduce demand for our products and/or reduce coverage of our products, including by federal health care programs such as Medicare and Medicaid and state health care, which would negatively impact sales of our products. If any or all of these events occur, it could have an adverse effect on our business, financial condition, results of operations and cash flows.

Our operations expose us to the risk of violations, material health, safety and environmental liabilities and litigation.

We are subject to numerous federal, state, local and non-U.S. environmental protection and health and safety laws and regulations governing, among other things:

- the generation, storage, use and transportation of hazardous materials;
- emissions or discharges of substances into the environment;
- investigation and remediation of hazardous substances or materials at various sites;
- chemical constituents in products and end-of-life disposal, mandatory recycling and take-back programs; and
- the health and safety of our employees.

We may not have been, or we may not at all times be, in full compliance with environmental and health and safety laws and regulations. In the event a regulatory authority concludes that we are not in full compliance with these laws, we could be fined, criminally charged or otherwise sanctioned. Environmental laws are becoming more stringent, including outside the U.S., resulting in increased costs and compliance burdens.

Certain environmental laws assess liability on current or previous owners of real property and current or previous owners or operators of facilities for the costs of investigation, removal or remediation of hazardous substances or materials at such properties or at properties at which parties have disposed of hazardous substances. Liability for investigative, removal and remediation costs under certain federal and state laws is retroactive, strict (i.e., can be imposed regardless of fault) and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We have received notification from the EPA and similar state environmental agencies that conditions at a number of sites where the disposal of hazardous substances has taken place requires investigation, cleanup and other possible remedial action. These agencies may require that we reimburse the government for its costs incurred at these sites or otherwise pay for the costs of investigation and cleanup of these sites, including by providing compensation for natural resource damage claims arising from such sites.

In the ordinary course of our business planning process, we take into account our known environmental matters as we plan for our future capital requirements and operating expenditures. The ultimate cost of site cleanup and timing of future cash outflows is difficult to predict, given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods.

We concluded that, as of December 29, 2017, it was probable that we would incur remediation costs in the range of $37.6 million to $115.5 million. We also concluded that, as of December 29, 2017, the best estimate within this range was $75.4 million. For further information on our environmental obligations, refer to Note 27 of the Notes to Consolidated Financial Statements. Based upon information known to date, we believe our current capital and operating plans are adequate to address costs associated with the investigation, cleanup and potential remedial action for our known environmental matters.

While we have planned for future capital and operating expenditures to comply with environmental laws, our costs of complying with current or future environmental protection and health and safety laws and regulations, or our liabilities arising from past or future releases of, or exposures to, hazardous substances may exceed our estimates or could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. We may also be subject to additional environmental claims for personal injury or cost recovery actions for remediation of facilities in the future based on our past, present or future business activities.

If we are unable to retain our key personnel, we may be unable to maintain or expand our business.

Because of the specialized scientific nature of our business, our ability to develop products and to compete with our current and future competitors will remain highly dependent, in large part, upon our ability to attract and retain qualified scientific, technical, regulatory and commercial personnel. The loss of key scientific, technical, regulatory and commercial personnel, or the failure to recruit additional key scientific, technical, regulatory and commercial personnel, could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. There is intense competition for qualified personnel in the areas of our activities, and we may not be able to continue to attract and retain the qualified personnel necessary for the development of our business.

Our global operations expose us to risks and challenges associated with conducting business internationally.

We operate globally with offices or activities in Europe, Africa, Asia, South America, Australia and North America. We face several risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations. These laws and regulations include data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, export requirements, U.S. laws such as the Foreign Corrupt Practices Act of 1977 and local laws which also prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws, there is a risk that some provisions may be violated, inadvertently or through fraudulent or negligent behavior of individual employees, or through our failure to comply with certain formal documentation requirements or otherwise. Violations of these laws and regulations could result in fines or criminal sanctions against us, our officers or our employees, and prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts and our ability to attract and retain employees.

In addition to the foregoing, engaging in international business inherently involves a number of other difficulties and risks, including:

- potentially longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain non-U.S. legal systems;
- political and economic instability, including the impact of the 2016 referendum by British voters to exit the European Union (EU) (commonly known as Brexit) and the related uncertainties;
- potentially adverse tax consequences, tariffs, customs charges, bureaucratic requirements and trade barriers;
- difficulties and costs of staffing and managing our non-U.S. operations;
- exposure to global economic conditions; and
- exposure to potentially unfavorable movements in foreign currency exchange rates associated with international turnover and operating expense and intercompany debt financings.

These or other factors or any combination of them may have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

Clinical studies required for our product candidates and new indications of our marketed products are expensive and time-consuming, and their outcome is highly uncertain. If any such studies are delayed or yield unfavorable results, regulatory approval for our product candidates or new indications of our marketed products may be delayed or become unobtainable.

We must conduct extensive testing of our product candidates and new indications of our marketed products before we can obtain regulatory approval to market and sell them. For example, Inomax is approved for sale in the U.S. only for the treatment of HRF associated with pulmonary hypertension in term and near-term infants, and the Therakos systems are approved for sale in the U.S. only for the palliative treatment of the skin manifestations of CTCL in persons who have not been responsive to other forms of treatment. In order to market these products in the U.S. for any other indications, we will need to conduct appropriate clinical trials, obtain positive results from those trials, and obtain regulatory approval for such proposed indications. Conducting such studies is a lengthy, time-consuming, and expensive process and obtaining regulatory approval is uncertain. Even well conducted studies of effective drugs will sometimes appear to be negative in either safety or efficacy results. The regulatory review and approval process to obtain marketing approval for a new indication can take many years, often requires multiple clinical trials and requires the expenditure of substantial resources. This process can vary substantially based on the type, complexity, novelty and indication of the product candidate involved. Success in early clinical trials does not ensure that later clinical trials will be successful, and interim results of a clinical trial do not necessarily predict final results.

These tests and trials may not achieve favorable results for many reasons, including, among others, failure of the product candidate to demonstrate safety or efficacy, the development of serious or life-threatening adverse events (or side effects) caused by or connected with exposure to the product candidate (or prior or concurrent exposure to other products or product candidates), difficulty in enrolling and maintaining subjects in a clinical trial, lack of sufficient supplies of the product candidate or comparator drug, and the failure of clinical investigators, trial monitors, contractors, consultants, or trial subjects to comply with the trial plan, protocol, or applicable regulations related to good laboratory practices ("GLPs") or good clinical practices ("GCPs"). A clinical trial may fail because it did not include and retain a sufficient number of patients to detect the endpoint being measured or reach statistical significance. A clinical trial may also fail because the dose(s) of the investigational drug included in the trial were either too low or too high to determine the optimal effect of the investigational drug in the disease setting. The FDA and other regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that any data submitted is insufficient for approval and require additional studies or clinical trials. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of product candidate or a new indication for a product candidate. For example, our product candidate MNK-6105 failed to demonstrate statistical significance in the clinical endpoints in a recently completed Phase 2b clinical trial of intravenously-administered MNK-6105 in hospitalized patients with hepatic encephalopathy. We plan to meet with the FDA to discuss next steps regarding future development for the intravenous ("IV") formulation of MNK-6105.

We will need to reevaluate any drug candidate that does not test favorably and either conduct new studies, which are expensive and time consuming, or abandon that drug development program. The failure of clinical trials to demonstrate the safety and effectiveness of our clinical candidates for the desired indication(s) would preclude the successful development of those candidates for such indication(s), which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our business depends on the continued effectiveness and availability of our information technology infrastructure, and failures of this infrastructure could harm our operations.

To remain competitive in our industry, we must employ information technologies to support manufacturing processes, quality processes, distribution, R&D and regulatory applications that capture, manage and analyze, in compliance with applicable regulatory requirements, the large streams of data generated in our clinical trials. We rely extensively on technology to allow concurrent work sharing around the world. As with all information technology, our systems are vulnerable to potential damage or interruptions from fires, blackouts, telecommunications failures and other unexpected events, as well as physical and electronic break-ins, sabotage, piracy or intentional acts of vandalism. Given the extensive reliance of our business on technology, any substantial disruption or resulting loss of data that is not avoided or corrected by our backup measures could harm our business, financial condition, results of operations and cash flows. In addition, any unauthorized access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, disrupt our operations, and damage our reputation, and cause a loss of confidence in our products and services, which could adversely affect our business.

We are increasingly dependent on information technology and our systems and infrastructure face certain risks, including cybersecurity and data leakage risks.

Significant disruptions to our information technology systems or breaches of information security could adversely affect our business. We are increasingly dependent on sophisticated information technology systems and infrastructure to operate our business. In the ordinary course of business, we collect, store and transmit large amounts of confidential information, and it is critical that we do so in a secure manner to maintain the confidentiality and integrity of such confidential information. We also have outsourced significant elements of our operations to third parties, some of which are outside the U.S., including significant elements of our information technology infrastructure, and as a result we are managing many independent vendor relationships with third parties who may or could have access to our confidential information. The size and complexity of our information technology systems, and those of our third-party vendors with whom we contract, make such systems potentially vulnerable to service interruptions. The size and complexity of our and our vendors' systems and the large amounts of confidential information that is present on them also makes them potentially vulnerable to security breaches from inadvertent or intentional actions by our employees, partners or vendors, or from attacks by malicious third parties. We and our vendors could be susceptible to third-party attacks on our information security systems, which attacks are of ever increasing levels of sophistication and are made by groups and individuals with a wide range of motives and expertise, including criminal groups, “hackers” and others. Maintaining the secrecy of this confidential, proprietary, and/or trade secret information is important to our competitive business position. However, such information can be difficult to protect. While we have taken steps to protect such information and invested heavily in information technology, there can be no assurance that our efforts will prevent service interruptions or security breaches in our systems or the unauthorized or inadvertent wrongful use or disclosure of confidential information, including those caused by our own employees or others to whom we have granted access to our systems, that could adversely affect our business operations or result in the loss, dissemination, or misuse of critical or sensitive information. A breach of our security measures or the accidental loss, inadvertent disclosure, unapproved dissemination, misappropriation or misuse of trade secrets, proprietary information, or other confidential information, whether as a result of theft, hacking, human error, sabotage, industrial espionage, fraud, trickery or other forms of deception, or for any other cause, could enable others to produce competing products, use our proprietary technology or information, and/or adversely affect our business position. Further, any such interruption, security breach, loss or disclosure of confidential information, could result in financial, legal, business, and reputational harm to us and could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Potential indemnification liabilities to Covidien pursuant to the separation and distribution agreement could materially adversely affect us.

The separation and distribution agreement that we entered into with Covidien, which was subsequently acquired by Medtronic plc, in connection with the Separation provided for, among other things, the principal corporate transactions required to effect the Separation, certain conditions to the distribution and provisions governing the relationship between us and Covidien following the Separation. The separation and distribution agreement was filed with the SEC as Exhibit 2.1 to our Current Report on Form 8-K on July 1, 2013. Among other things, the separation and distribution agreement provides for indemnification obligations principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of Covidien's remaining business with Covidien, among other indemnities. If we are required to indemnify Covidien under the circumstances set forth in the separation and distribution agreement, we may be subject to substantial liabilities. These potential indemnification obligations could have a material adverse effect on our financial condition, results of operations and cash flows.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations.

We have substantial indebtedness, which could adversely affect our ability to fulfill our financial obligations and have a negative impact on our financing options and liquidity position. As of December 29, 2017, we had $6,806.8 million of total debt.

Our degree of debt leverage could have significant consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- limiting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or other corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limiting our ability to refinance our indebtedness on terms acceptable to us or at all;
- placing us at a competitive disadvantage to other less leveraged competitors;
- making us more vulnerable to economic downturns and limiting our ability to withstand competitive pressures;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete; and
- increasing our costs of borrowing.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to fund our day-to-day operations or to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash requirements, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. The agreements governing our indebtedness restrict (a) our ability to dispose of assets and use the proceeds from any such dispositions and (b) our ability to raise debt capital to be used to repay our indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, lenders under any of our indebtedness could declare essentially all outstanding principal and interest to be due and payable, the lenders under our existing credit facilities could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing such borrowings and we could be forced into bankruptcy or liquidation.

Despite current and anticipated indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described above.

We may be able to incur substantial additional indebtedness in the future. Although agreements governing our indebtedness restrict the incurrence of additional indebtedness, these restrictions are and will be subject to a number of qualifications and exceptions and the additional indebtedness incurred in compliance with these restrictions could be substantial. If new debt is added to our current debt levels, the related risks that we now face could intensify.

The terms of the agreements that govern our indebtedness restrict our current and future operations, particularly our ability to respond to changes or to pursue our business strategies.

The agreements that govern the terms of our indebtedness contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including limitations or restrictions on our ability to:

- incur, assume or guarantee additional indebtedness;
- declare or pay dividends, make other distributions with respect to equity interests, or purchase or otherwise acquire or retire equity interests
- make any principal payment on, or redeem or repurchase, subordinated debt;
- make loans, advances or other investments;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- incur liens;
- enter into transactions with affiliates;
- enter into sale and lease-back transactions; and
- consolidate or merge with or into, or sell all or substantially all of our assets to, another person or entity.

In addition, the restrictive covenants in the credit agreement governing our senior secured credit facilities require us to comply with a financial maintenance covenant in certain circumstances. Our ability to satisfy this financial maintenance covenant can be affected by events beyond our control and we cannot assure you that we will be able to comply.

A breach of the covenants under the agreements that govern the terms of any of our indebtedness could result in an event of default under the applicable indebtedness. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under the credit agreement that governs our senior secured credit facilities would permit the lenders under such facilities to terminate all commitments to extend further credit thereunder. Furthermore, if we are unable to repay the amounts due and payable under our senior secured credit facilities, those lenders will be able to proceed against the collateral granted to them to secure that indebtedness. If our debtholders accelerate the repayment of our borrowings, we may not have sufficient assets to repay that indebtedness.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively, execute our growth strategy or take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our plans.

Our variable-rate indebtedness exposes us to interest rate risk, which could cause our debt service obligations to increase significantly.

Certain of our indebtedness, including borrowings under our senior secured credit facilities and our receivables securitization, are subject to variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable-rate indebtedness would increase and our net income would decrease, even though the amount borrowed under the facilities remained the same. As of December 29, 2017, we had $1,851.2 million outstanding variable-rate debt on our senior secured term loans, $900.0 million outstanding on our revolving credit facility and $200.0 million outstanding variable-rate debt on our receivables securitization. An unfavorable movement in interest rates, primarily London Interbank Offered Rate ("LIBOR"), could result in higher interest expense and cash payments for the Group. Although we may enter into interest rate swaps, involving the exchange of floating for fixed-rate interest payments, to reduce interest rate volatility, we cannot provide assurance that we will enter into such arrangements or that they will successfully mitigate such interest rate volatility.

Our current debt levels and challenges in the commercial and credit environment may materially adversely affect our ability to issue debt on acceptable terms and our future access to capital.

Our ability to issue debt or enter into other financing arrangements on acceptable terms could be materially adversely affected by our current debt levels or if there is a material decline in the demand for our products or in the solvency of our customers or suppliers or other significantly unfavorable changes in economic conditions occur. In addition, volatility in the world financial markets could increase borrowing costs or affect our ability to access the capital markets, which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows.

We may need additional financing in the future to meet our capital needs or to make acquisitions, and such financing may not be available on favorable or acceptable terms, and may be dilutive to existing shareholders.

We may need to seek additional financing for general corporate purposes. For example, we may need to increase our investment in R&D activities or need funds to make acquisitions. We may be unable to obtain any desired additional financing on terms that are favorable or acceptable to us. Depending on market conditions, adequate funds may not be available to us on acceptable terms and we may be unable to fund our acquisition strategy, successfully develop or enhance products, or respond to competitive pressures, any of which could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. If we raise additional funds through the issuance of equity securities, our shareholders will experience dilution of their ownership interest.

A lowering or withdrawal of the ratings assigned to our debt by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating from Standard & Poor's Corporation ("S&P") and Moody's Investor Services, Inc. ("Moody's"). Any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Risks Related to Tax Matters

Our status as a foreign corporation for U.S. federal tax purposes could be affected by a change in law.

We believe that, under current law, we are treated as a foreign corporation for U.S. federal tax purposes. On January 13, 2017, the U.S. Department of the Treasury and the U.S. Internal Revenue Service ("IRS") issued final and temporary regulations promulgated under Internal Revenue Code ("IRC") Section 7874 to reduce the tax benefits of, or preclude entirely, certain inversion transactions. We do not believe these final and temporary regulations will have a material impact to our status as a foreign corporation for U.S. federal tax purposes. However, other changes in tax law, such as additional changes to the inversion rules in IRC Section 7874 or the U.S. Treasury Regulations promulgated thereunder or other IRS guidance, could adversely affect our status as a foreign corporation for U.S. federal tax purposes, and any such changes could have prospective or retroactive application to us and our shareholders and affiliates. In addition, recent legislative proposals have aimed to expand the scope of U.S. corporate tax residence, and such legislation, if passed, could have an adverse effect on us. For example, the U.S. Department of the Treasury and Congress have issued recent proposals that would amend the inversion rules. Although the proposals would generally apply to prospective transactions, no assurance can be given that such proposals will not be changed in the legislative process to apply to prior transactions.

Future changes to U.S. and foreign tax laws could adversely affect us.

The European Commission, U.S. Congress and Treasury Department, the Organization for Economic Co-operation and Development ("the OECD"), and other government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational corporations, particularly payments made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the U.K., E.U., Switzerland, U.S. and other countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely affect us and our affiliates.

Recent examples include the OECD's recommendations on base erosion and profit shifting, the European Commission's Anti-Tax Avoidance Directive ("ATAD II") formally adopted in May 2017, the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("Multilateral Instrument") signed by over 70 countries in June 2017, Ireland's Budget 2018 published in October 2017 announcing a public consultation on changes to the corporate tax code, and Switzerland's Tax Proposal 17. These initiatives include recommendations and proposals that, if enacted in countries in which we and our affiliates do business, could adversely affect us and our affiliates.

The effect of recent U.S. Tax Reform legislation is subject to continued regulatory and interpretive guidance

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA"). The TCJA makes broad and complex changes to the U.S. tax code, the effects of which have been incorporated into our fiscal 2017 provision for income taxes, as applicable. Financial results for fiscal 2017 reflect provisional estimates based on our initial analysis and current interpretation of the legislation. Given the complexity of the legislation, anticipated guidance from the U.S. Treasury, and the potential for additional guidance from the SEC or the Financial Accounting Standards Board, these provisional estimates may be adjusted during fiscal 2018.

We may not be able to maintain a competitive worldwide effective corporate tax rate.

We cannot give any assurance as to what our effective tax rate will be in the future, because of, among other things, uncertainty regarding the tax policies of the jurisdictions where we operate. Our actual effective tax rate may vary from our expectation and that variance may be material. Additionally, the tax laws of the U.K. and other jurisdictions could change in the future, and such changes could cause a material change in our effective tax rate.

A change in our tax residency could have a negative effect on our future profitability and taxes on dividends

Under current Irish legislation, a company is regarded as resident in Ireland for tax purposes if it is centrally managed and controlled in Ireland, or, in certain circumstances, if it is incorporated in Ireland. Under current U.K. legislation, a company is regarded as resident in the U.K. for tax purposes if it is centrally managed and controlled in the U.K. Where a company is treated as tax resident under the domestic laws of both the U.K. and Ireland then the provisions of article 4(3) of the Double Taxation Convention between Ireland and the U.K. provide that such company shall be treated as resident only in the jurisdiction in which its place of effective management is situated. Since May 2015, we have managed, and we intend to continue to manage, the affairs of Mallinckrodt plc so that it is effectively managed and controlled in the U.K. and therefore be treated as resident only in the U.K. for tax purposes, by operation of the Double Taxation Convention. However, we cannot provide assurance that Mallinckrodt plc will continue to be resident only in the U.K. for tax purposes. It is possible that in the future, whether as a result of a change in law or a change in the practice or conduct of the affairs of any relevant tax authority, Mallinckrodt plc could become, or be regarded as having become resident in a jurisdiction other than the U.K. For example, the new Multilateral Instrument, which was signed by both Ireland and the U.K., but not yet ratified, would supersede the application of article 4(3) of the Double Taxation Convention between Ireland and the U.K. in favor of a new process involving the competent authorities of Ireland and the U.K. If Mallinckrodt plc were considered to be a tax resident of Ireland, in addition to any U.K. tax consequences it could become liable for Irish corporation tax and any dividends paid by it could be subject to Irish dividend withholding tax.

Our installment sale arrangements result in a deferral of tax obligations payable to the IRS, which may be subject to variable-rate interest rate risk, which could result in higher cost associated with deferring these tax obligations.

As part of the integration of Questcor, we entered into an internal installment sale transaction related to certain H.P. Acthar Gel intangible assets during the fiscal year ended September 25, 2015. During the fifteen months ended September 30, 2016, we entered into similar transactions with certain intangible assets acquired in the acquisitions of Ikaria, Inc. and Therakos, Inc. The installment sale transactions resulted in a taxable gain. During the fifteen months ended December 29, 2017, we sold our Intrathecal Therapy business with a portion of the consideration from the sale being in the form of a note receivable subject to the installment sale provisions described above. In accordance with IRC Section 453A the gain is considered taxable in the period in which installment payments are received. The IRS charges interest based on the deferred tax liability outstanding as of the end of a company's fiscal year, regardless of amounts outstanding during the fiscal year. The interest payable on the deferred tax liability may be subject to fluctuations in interest rates, which may increase in future periods. As of December 29, 2017, we had an aggregate $553.5 million of interest-bearing U.S. deferred tax liabilities associated with outstanding installment notes.

Risks Related to Our Jurisdiction of Incorporation

Irish law differs from the laws in effect in the U.S. and may afford less protection to holders of our securities.

It may not be possible to enforce court judgments obtained in the U.S. against us in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised the U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

A judgment obtained against us will be enforced by the courts of Ireland if the following general requirements are met: (i) U.S. courts must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule) and (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that in the meantime the judgment may not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive. However, Irish courts may refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons: (i) if the judgment is not for a definite sum of money; (ii) if the judgment was obtained by fraud; (iii) the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice; (iv) the judgment is contrary to Irish public policy or involves certain U.S. laws which will not be enforced in Ireland; or (v) jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Ireland Superior Courts Rules.

As an Irish company, we are governed by the Irish Companies Act, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to the company only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of the company and may exercise such rights of action on behalf of the company only in limited circumstances. Accordingly, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

Irish law imposes restrictions on certain aspects of capital management.

Irish law allows our shareholders to pre-authorize shares to be issued by our Board of Directors without further shareholder approval for up to a maximum of five years. Our current authorization will therefore lapse approximately five years after the date of the Separation, June 28, 2013, unless renewed by shareholders, and we cannot guarantee that such renewal will always be approved. Additionally, subject to specified exceptions, including the opt-out that is included in our articles of association, Irish law grants statutory pre-emptive rights to existing shareholders to subscribe for new issuances of shares for cash. This opt-out also expires approximately five years after the Separation, unless renewed by further shareholder approval, and we cannot guarantee that such renewal of the opt-out from pre-emptive rights will always be approved. We cannot provide assurance that these Irish legal restrictions will not interfere with our capital management.

Risks Related to Our Ordinary Shares

Our share price may fluctuate significantly.

The market price of our ordinary shares may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;
- perceived impacts to our results from acquisitions of products, license rights or businesses;
- the operating and share price performance of comparable companies;
- actual or anticipated sales of our ordinary shares;
- allegations by third parties (even if unsubstantiated) regarding our products or business practices;
- publicity and media reports potentially negative about the company or its products/reputation;
- new regulations or legislation in the U.S. relating to the development, sale or pricing of pharmaceuticals or medical devices;
- political pressure to reduce the pricing of pharmaceuticals;
- continued consolidation in pharmacy networks and among insurers that may further increase their competitive market power;
- changes to the regulatory and legal environment in which we operate; and
- U.S. and worldwide economic conditions.

Third parties, some of whom may have taken investment positions that would increase in value if our share price declines ("short sellers"), may make allegations related to our products or business practices. These short sellers make a profit when our shares decline in value, and their actions and public statements, and the resulting publicity, may cause further volatility in our share price. This volatility may cause the value of a shareholder's investment to decline.

In addition, when the market price of a company's ordinary shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

Furthermore, we cannot guarantee that an active trading market for our ordinary shares will continue to exist.

Our shareholders' percentage of ownership in Mallinckrodt may be diluted.

Our shareholders' percentage ownership in Mallinckrodt may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise, including equity awards granted to our directors, officers and employees. Such issuances may have a dilutive effect on our earnings per share, which could materially adversely affect the market price of our ordinary shares. In addition, our articles of association entitle our Board of Directors, without shareholder approval, to cause us to issue preferred shares with such terms as our Board of Directors may determine. Preferred shares may be preferred as to dividends, rights on a winding up or voting in such a manner as our Board of Directors may resolve. The preferred shares may also be redeemable at the option of the holder of the preferred shares or at the option of us, and may be convertible into or exchangeable for shares of any other class or classes of our shares, depending on the terms of such preferred shares. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of our ordinary shares. For example, we could grant the holders of preferred shares the right to elect some number of our Board of Directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred shares could affect the residual value of our ordinary shares.

Certain provisions in our articles of association, among other things, could prevent or delay an acquisition of us, which could decrease the trading price of our ordinary shares.

Our articles of association contain provisions that could have the effect of deterring coercive takeover practices, inadequate takeover bids and unsolicited offers. These provisions include, among others:

- provisions of our articles of association which allow our Board of Directors to adopt a shareholder rights plan (commonly known as a "poison pill") upon such terms and conditions as the Board of Directors deems expedient and in the best interests of our company;
- a provision of our articles of association which generally prohibits us from engaging in a business combination with an interested shareholder for a period of three years following the date the person became an interested shareholder, subject to certain exceptions;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our Board of Directors to issue preferred shares without shareholder approval in certain circumstances, subject to applicable law; and
- the ability of our Board of Directors to fill vacancies on our Board of Directors in certain circumstances.

These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if a takeover offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our Board of Directors determines is not in the best interests of our company and its shareholders. These provisions may also prevent or discourage attempts to remove and replace incumbent directors.

In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of us. For example, Irish law does not permit shareholders of an Irish public limited company to take action by written consent with less than unanimous consent. We are also subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in our ordinary shares in certain circumstances. Also, Irish companies, including us, may only alter their memorandum of association and articles of association with the approval of the holders of at least 75% of the company's shares present and voting in person or by proxy at a general meeting of the company.

The agreements that we entered into with Covidien in connection with the Separation generally required Covidien's consent to any assignment by us of our rights and obligations under the agreements. The consent and termination rights set forth in these agreements might discourage, delay or prevent a change of control that shareholders may consider favorable.

Financial Risk Management

Our operations include activities in the U.S. and countries outside of the U.S. These operations expose us to a variety of market risks, including the effects of changes in interest rates and currency exchange rates. We monitor and manage these financial exposures as an integral part of our overall risk management program. We do not utilize derivative instruments for trading or speculative purposes.

Interest Rate Risk

Our exposure to interest rate risk relates primarily to our variable-rate debt instruments, which bear interest based on LIBOR plus margin. As of December 29, 2017, our outstanding debt included $1,851.2 million variable-rate debt on our senior secured term loan, $200.0 million variable-rate debt on our receivables securitization program and $900.0 million variable-rate debt on our revolving credit facility. Assuming a one percent increase in the applicable interest rates, in excess of applicable minimum floors, annual interest expense for fiscal 2018 would increase by approximately $29.5 million.

The remaining outstanding debt as of December 29, 2017 is fixed-rate debt. Changes in market interest rates generally affect the fair value of fixed-rate debt, but do not impact earnings or cash flows.

Currency Risk

Certain turnover and costs of our international operations are denominated in the local currency of the respective countries. As such, profits from these subsidiaries may be impacted by fluctuations in the value of these local currencies relative to the U.S. dollar. We also have significant intercompany financing arrangements that may result in gains and losses in our results of operations. In an effort to mitigate the impact of currency exchange rate effects we may hedge certain operational and intercompany transactions; however, our hedging strategies may not fully offset gains and losses recognized in our results of operations.

Research and Development

We devote significant resources to the research and development ("R&D") of products and proprietary drug technologies. We expect to continue to invest in R&D activities, both for existing products and the development of new portfolio assets. We intend to focus our R&D investments principally in the specialty pharmaceuticals areas, specifically investments to support our Specialty Brands, where we believe there is the greatest opportunity for growth and profitability.

Specialty Brands. We devote significant R&D resources to our branded products. Our R&D investments center on building a diverse, durable portfolio of innovative therapies that provide value to patients, physicians and payers. Our strategy focuses on growth and pipeline opportunities related to early and late stage development products to meet the needs of underserved patient populations. Under our strategy we continue the development process and perform clinical trials to support FDA approval of new products.

Data generation is an important strategic driver for our key products in development as they extend evidence in approved uses, label enhancements and new indications. Our strategy is realized through investments in both clinical and health economic activities. We are committed to supporting research that helps advance the understanding and treatment of a variety of different disease states that will further the understanding and development of our currently marketed products, including H.P. Acthar Gel, Inomax, Ofirmev and Therakos.

The most significant development products in our pipeline are:

- *Terlipressin* is being investigated for the treatment of hepatorenal syndrome ("HRS") type 1, an acute, rare and life-threatening condition requiring hospitalization, with no currently approved therapy in the U.S. or Canada. In July 2017, we announced the enrollment of the 75th subject in our ongoing Phase 3 clinical study to evaluate the efficacy and safety of terlipressin (for injection) in subjects with HRS type 1. This marked the achievement of one quarter of our target enrollment for this trial and we continue to make progress on this clinical study.
- *StrataGraft* is an investigational product in Phase 3 development for treatment of severe, deep partial thickness burns and Phase 2 development for treatment of severe, full thickness burns. In 2012, the FDA granted StrataGraft orphan product status, and the product is being developed as a biologic to be filed under a biologic license application that would confer regulatory protection until 2032. In June 2017, we announced the enrollment of the first patient in our Phase 3 clinical study to evaluate the efficacy and safety of StrataGraft regenerative skin tissue in the promotion of autologous skin regeneration of complex skin defects due to thermal burns that contain intact dermal elements. In July 2017, we announced that StrataGraft is among the first products to be designated as a Regenerative Medicine Advanced Therapy ("RMAT") by the FDA under the provisions of the 21st Century Cures Act. The RMAT designation allows for earlier and increased interactions with the FDA, including discussions of whether priority review and/or accelerated approval would be appropriate based on surrogate or intermediate endpoints that would be reasonably likely to predict long-term clinical benefit; or reliance upon data obtained from a meaningful number of sites. Building upon the science of StrataGraft, we also maintain ExpressGraft-C9T1 skin tissue, a biologically-active skin tissue with a fully stratified epithelial compartment comprised of human keratinocytes and a dermal compartment containing fibroblasts. This tissue has been genetically modified to up-regulate production of a naturally occurring antimicrobial. It is being evaluated in a first-in-human prospective, open-label trial focused on assessing the safety and tolerability in the treatment of patients with diabetic foot ulcers, a type of wound that is often difficult to heal.
- *MNK-1411* (the product formerly described as Synacthen Depot®) is a depot formulation of Synacthen (tetracosactide), a synthetic 24 amino acid melanocortin receptor agonist. In August 2016, we announced that the FDA granted our request for fast track designation for its Investigational New Drug ("IND") application for MNK-1411 in the treatment of duchenne muscular dystrophy ("DMD"). The FDA's fast track designation is a process designed to facilitate the development, and expedite the review of drugs to treat serious conditions that fill an unmet medical need. Then in fiscal 2017, the FDA granted orphan drug designation to MNK-1411 for the treatment of DMD. The Phase 1 study for

MNK-1411 in healthy volunteers has been completed and the information derived was used to determine optimal dosing in our Phase 2 trial, which is expected to commence in 2018.

- *Stannsoporfin*, a heme oxygenase inhibitor, is under investigation for its potential to reduce the production of bilirubin. If approved, stannsoporfin is expected to be a highly effective therapy used for near- and full-term infants at risk of developing complications associated with severe jaundice. This new treatment option may reduce the number of newborns advancing to bilirubin levels requiring more intrusive, less specific therapies, most often blood exchange transfusion and less frequently intravenous immunoglobululin infusions, both of which have a more complex and lengthy administration than stannsoporfin's single injection. Stannsoporfin, if approved, may also decrease the risks associated with other treatments (i.e., bilirubin rebound) and the risk of prolonged and/or severe bilirubin elevation, which can impact central nervous system development. In December 2016, stannsoporfin was granted fast track designation by the FDA and a NDA has been submitted.

- *Xenon gas for inhalation* is a noble gas that has been used safely as an inhaled therapy in several studies to date. Following cardiac arrest, calcium channels in the brain can get over-activated, causing neuronal damage and cell death. When inhaled, xenon binds to N-methyl-D-aspartate receptors through a unique glycine-binding mechanism and can help regulate the flow of ions through the calcium channels. By mitigating neuronal damage and cell death following a cardiac arrest, inhaled xenon may be able to reduce time in coma, lower mortality rates and improve cognitive and motor functions. The Phase 3 trial will be conducted under an FDA Special Protocol Agreement and is currently expected to begin during the first half of 2018.

- *MNK-6105*, an ammonia scavenger, is being studied for treatment of hepatic encephalopathy ("HE"), a neuropsychiatric syndrome associated with hyperammonemia, a complication of acute or chronic liver disease. If approved, MNK-6105 is expected to be an effective therapy that rapidly eliminates ammonia in the bloodstream, excreting it through the kidneys, a more effective and less burdensome method of addressing HE than existing treatment options. The intravenous ("IV") formulation of MNK-6105, if approved, is expected to provide rapid reduction in symptoms of acute HE, and potentially reduce hospitalization stay. MNK-6105's oral formulation, if approved, is expected to provide post-discharge continuity of care for the HE patient, reducing the risk of recurrent HE episodes and rehospitalization. It is also anticipated that patients may transition from the IV to the oral formulation prior to discharge from the hospital setting. The FDA and European Medicines Agency ("EMA") have granted orphan drug designation to MNK-6105. The FDA also granted fast track designation to MNK-6105.

- *VTS-270* is in Phase 3 development for Niemann-Pick Type C ("NPC"). NPC is a rare, neurodegenerative, and ultimately fatal disease that can present at any age. NPC is caused by mutations in either the NPC1 or NPC2 genes, resulting in the disruption of the trafficking of intracellular cholesterol, leading to intracellular lipid accumulation in various tissues, including the brain, liver, and spleen. NPC presents with neurologic and visceral features that overlap with other diseases often leading to a missed or delayed diagnosis. Neurodegenerative presentation in NPC is a major driver of morbidity and mortality. There are four main types of the disease – types A, B, C1 and C2; NPC encompasses types C1 and C2, which causes accumulation of cholesterol and other lipids in cells, resulting in severe neurological, systemic or psychiatric disorders. Manifestations of the genetic disorder typically occur in childhood with occasional late onset. NPC is usually fatal, and the majority of cases lead to death. The FDA granted VTS-270 its orphan drug designation, and the resulting seven years exclusivity would be applied upon approval of the drug. The EMA also granted VTS-270 orphan drug status. In addition, the FDA granted the compound its Breakthrough Designation, indicating the drug is (1) intended to treat a serious or life-threatening disease or condition alone or combined with one or more other drugs, and (2) preliminary clinical evidence indicates it may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints. The Breakthrough Designation status results in expedited review by the agency.

- *CPP-1X/sulindac* is in Phase 3 development for Familial Adenomatous Polyposis ("FAP") under a collaborative agreement with Cancer Prevention Pharmaceuticals and Sucampo. FAP results from a genetic mutation leading to uncontrolled growth of hundreds to thousands of polyps in the lower digestive tract. Left untreated, there is a high liklihood of developing colorectal cancer. The disease typically progresses without clear warning signs until reaching advanced stages. It can also lead to abnormal manifestations in other organs including bone, skin, retina, teeth and other malignant lesions. The FDA granted CPP-1X/sulindac its orphan drug designation, as well as its Fast Track designation, a process designed to facilitate development and expedite the review of drugs to treat serious conditions and fill an unmet medical need. Orphan drug status was also granted to the therapy by the EMA. CPP-1X/sulindac, if approved, will target the underlying disease mechanism, preventing polyp growth and delaying disease progression.

Specialty Generics. Specialty Generics development is focused on hard-to-manufacture pharmaceuticals with difficult-to-replicate pharmacokinetic profiles. Our Specialty Generics pipeline consists of a number of products in various stages of development. We currently perform most of our development work at our Specialty Generics headquarters and technical development center in Webster Groves, Missouri.

Acquisition of Own Shares

On November 19, 2015, the Group's Board of Directors authorized a $500.0 million share repurchase program (the "November 2015 Program") which was completed during the fifteen months ended December 29, 2017. On March 16, 2016, the Board of Directors authorized an additional $350.0 million share repurchase program (the "March 2016 Program"), which was completed during the three months ended March 31, 2017. On March 1, 2017, the Group's Board of Directors authorized an additional $1.0 billion share repurchase program (the "March 2017 Program"), which commenced upon the completion of the March 2016 Program. The March 2017 Program has no time limit or expiration date, and the Group currently expects to fully utilize the program. Repurchases under each program are effected by redemption.

During the fifteen months ended December 29, 2017, the Group acquired 21,523,790 shares at an average market price of $37.65, which were accounted for as treasury shares within shareholders' funds. Of the 21,523,790 shares acquired, 1,063,337 shares were acquired under the November 2015 Program at an average price of $70.01, 6,868,417 shares were acquired under the March 2016 Program at an average price of $50.96, and 13,490,448 shares were acquired under the March 2017 Program at an average price of $28.22. The remaining 101,588 shares at an average market price of $49.98 represent deemed acquisitions in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations.

During December 2017, the Group canceled approximately 26.5 million treasury shares. Irish law requires a company's treasury share value to represent less than 10% of the Group's capital. The cancellation of treasury had a net zero impact on shareholders' funds as $5.3 million was reflected in both called-up share capital and capital redemption reserve.

The following table sets out the ordinary shares of the Group, which have a par value of $0.20 per share, held by the Group:

	Number of ordinary shares held	Aggregate consideration paid or received
As of September 30, 2016	10,969,604	$ 762.6
Acquisitions	21,523,790	810.5
Reissuance	(132,964)	(8.4)
Cancellations	(26,500,000)	—
As of December 29, 2017	5,860,430	$ 1,564.7

Further information relating to the acquisition of our shares is set out at Note 30 of the Notes to the Consolidated Financial Statements.

Dividends

We currently do not anticipate paying any cash dividends for the foreseeable future, as we intend to retain earnings to finance R&D, acquisitions, the continued operation and expansion of our business and repurchase of shares. The recommendation, declaration and payment of any dividends in the future by us will be subject to the sole discretion of our Board of Directors and will depend upon many factors, including our financial condition, earnings, capital requirements of our operating subsidiaries, covenants associated with certain of our debt obligations, legal requirements, regulatory constraints and other factors deemed relevant by our board of directors. Moreover, if we determine to pay dividends in the future, there can be no assurance that we will continue to pay such dividends. The payment of dividends is also subject to compliance with the Companies Act 2014, including the requirement for Mallinckrodt plc to have sufficient realized profits available for distribution.

Company Books of Account

The directors are responsible for ensuring that the Company and Group keep adequate accounting records and appropriate accounting systems. The measures taken by the directors to ensure compliance with the Company's and Group's obligation to keep adequate accounting records include the use of appropriate systems and procedures and the employment of competent persons. The directors have appointed a Chief Financial Officer who makes regular reports to the directors and ensures compliance with the requirements of Sections 281 to 285 of the Companies Act 2014. The Company also has a Controller, who works closely with the Chief Financial Officer and who makes regular reports to the Audit Committee. In addition, the head of the Group's internal audit department makes regular reports to the Audit Committee regarding fraud and other financial-related irregularities. The Audit Committee, in turn, briefs the directors on significant financial matters arising from reports of the Chief Financial Officer, the Controller, the head of internal audit and the Company's or Group's external auditor.

The accounting records of Mallinckrodt plc are maintained at 3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG, United Kingdom. In accordance with Section 283(2) of the Companies Act 2014, sufficient books of account are also maintained in the Republic of Ireland to disclose, with reasonable accuracy, the financial position of the Company. The books of account are available at College Business & Technology Park, Cruiserath Road, Blanchardstown, Dublin 15, Ireland.

Important Events Since Year End

Discontinued Operations and Divestitures

On February 22, 2018, the Group's Board of Directors authorized commencement of a process to dispose of (1) the Group's Specialty Generics business comprised of its Specialty Generics segment, with the exception of its external manufacturing operations, (2) certain of the Group's non-promoted brands business, which is currently reflected in the Specialty Brands segment; and (3) the Group's ongoing, post-divestiture supply agreement with the acquirer of the CMDS business, which is currently reflected in the Other non-operating segment (referred to collectively as the "Specialty Generics Disposal Group"). We evaluated the criteria prescribed by GAAP for recording a disposal group as held for sale and discontinued operations. This criteria was not met as of December 29, 2017. Therefore, this disposal group was not presented as a discontinued operation in the accompanying consolidated balance sheets and consolidated statements of income. Beginning in the first quarter of fiscal 2018, the historical financial results attributable to the Specialty Generics Disposal Group will be reflected in the Group's consolidated financial statements as discontinued operations.

On March 16, 2018, we completed the sale of our PreveLeak and Recothrom assets to Baxter for approximately $185.0 million, with base payment of $153.0 million, inclusive of existing inventory and subject to a closing inventory adjustment, and the remainder in potential future milestones. Baxter will assume other expenses, including contingent liabilities associated with PreveLeak.

Sucampo Acquisition

On February 13, 2018, we acquired Sucampo. Consideration for the transaction consisted of approximately $1.2 billion, including the assumption of Sucampo's third-party debt ("the Sucampo Acquisition"). The acquisition was funded through the issuance of $600.0 million aggregate principal amount of senior secured notes (as discussed further below), a $900.0 million borrowing under the Revolver and cash on hand. Sucampo's commercialized products include AMITIZA® (lubiprostone), a leading global product in the branded constipation market, and RESCULA® (unoprostone isopropyl ophthalmic solution) 0.15%, which is indicated for ocular hypertension and open-angle glaucoma, and marketed in Japan. In addition, Sucampo has two pipeline products that are currently in Phase 3 development: VTS-270, a development product for Niemann-Pick Type C, a rare, neurodegenerative, and ultimately fatal disease that can present at any age, and CPP-1X/sulindac, a development product for Familial Adenomatous Polyposis under a collaborative agreement between Cancer Prevention pharmaceuticals and Sucampo.

We incurred acquisition costs within the consolidated statements of profit and loss for the fifteen months ended December 29, 2017 related to the acquisition of Sucampo of $4.2 million, which were included within D&A.

We have not yet completed a preliminary allocation of the total consideration to the identifiable assets acquired and liabilities assumed for the Sucampo Acquisition. However, we expect that significant assets acquired will primarily consist of intangible assets, but will also include inventory adjusted to fair value, and that significant liabilities assumed will include the existing Sucampo third-party debt and deferred tax liabilities associated with assets acquired. We expect to complete a preliminary allocation of the total consideration during the first quarter of fiscal 2018.

Upon completion of the Sucampo Acquisition, Sucampo's 3.25% convertible senior notes due 2021 ("the Sucampo Notes") became eligible to receive increased consideration in conjunction with a make-whole fundamental change, such that each $1,000 principal face amount of Sucampo Notes may be converted into $1,221 cash. Under terms of the Indenture dated December 27, 2016 (the "Sucampo Indenture"), between Sucampo and U.S. Bank National Association, the Sucampo Notes may be converted at the option of their holders and be eligible to receive increased consideration during a period of time following consummation of the merger transaction, or remain outstanding and earn the stated 3.25% rate of interest. It is the expectation that all holders will eventually exercise their conversion rights under the Sucampo Indenture. At the time of this issuance of this Directors' Report, approximately $0.3 million of the $300.0 million of issued convertible debt remains outstanding.

Sucampo Acquisition Financing

In February 2018, in conjunction with the Sucampo Acquisition, we entered into a $600.0 million senior secured term loan. The variable-rate loan bears an interest rate of LIBOR plus 300 basis points and was issued with a discount of 25 basis points. The incremental term loan matures on February 25, 2025 under terms generally consistent with our existing term loan.

Financing Activities

On January 16, 2018, we made a $225.0 million voluntary prepayment on our outstanding term loan. In making this payment we satisfy certain obligations included within external debt agreements to reinvest proceeds from the sale of assets and businesses within one year of the respective transaction or use the proceeds to pay down debt.

On February 21, 2018, we borrowed an additional $25.0 million on our Receivable Securitization. We also made a $275.0 million payment on the 2017 Revolving Credit Facility, bringing total outstanding borrowings to $625.0 million for this instrument.

On February 28, 2018, we received $154.0 million from Piramal for the settlement of the note receivable in connection with the sale of our Intrathecal Therapy business.

On March 15, 2018, BioVectra, Inc., a subsidiary of the Group, entered into an agreement with The Atlantic Canada Opportunities Agency, to obtain an interest-free loan of up to $5.0 million Canadian Dollars ("CAD") in exchange for specified investment spending in Canada. The loan is repayable in equal monthly installments over 10 years starting in January 2019. The Company has the option of prepaying this loan without any penalties. As of the issuance date of this report, $3.4 million CAD is outstanding under this agreement.

During March 2018, the Group repurchased unsecured fixed-rate debt that aggregated to a total principal amount of $33.0 million. The Group also made a $5.4 million payment on its Receivable Securitization, bringing total outstanding borrowings to $219.6 million for this instrument.

Commitments and Contingencies

Certain litigation matters occurred during the fifteen months ended December 29, 2017 or prior. See further discussion in Note 27 of Notes to Consolidated Financial Statements for subsequent updates to these matters or new litigation through the issuance of this Directors' Report.

Directors

Directors' remuneration is set forth in Note 13 of Notes to Consolidated Financial Statements. No director or company secretary of the Group had an interest in shares required to be disclosed under Section 329 of the Companies Act 2014 either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year. Note that where the aggregate interest in shares of any director or secretary (and his or her spouse (or civil partner) and children) represents less than 1% in nominal value of the Group’s ordinary shares, the only interests of that director or secretary that are required to be disclosed constitute a right to subscribe for shares in the Group or that arise as a result of the exercise of such a right. Performance stock units where the director or secretary is an employee of the Group and does not make any payment to the Group in respect of the shares are not considered to be rights to subscribe for the purposes of this disclosure and no disclosure is required where they form part of an aggregate less than 1% holding.

Set forth below are the names of the individuals serving as directors during the fifteen months ended December 29, 2017.

Name
Mark C. Trudeau
Melvin D. Booth
David R. Carlucci
J. Martin Carroll
Diane H. Gulyas
David Y. Norton (1)
JoAnn A. Reed
Angus C. Russell
Virgil D. Thompson (2)
Kneeland C. Youngblood, M.D.
Joseph A. Zaccagnino

(1) Mr. Norton was appointed to the Board on September 20, 2017.

(2) Mr. Thompson retired from the Board on March 1, 2017.

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Political Donations

No political contributions that require disclosure under Irish law were made during the year.

Subsidiary Companies and Branches

Information regarding subsidiary undertakings, including information regarding branches, is provided in Note 32 of Notes to Consolidated Financial Statements.

Audit Committee

In accordance with Section 167 of the Companies Act 2014, the Group has established an audit committee for the full fifteen month period ended December 29, 2017.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this Directors' Report confirms that:

- so far as that director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

Directors' Compliance Statement

As required by Section 225 of the Companies Act 2014, the directors acknowledge that they are responsible for securing Mallinckrodt plc's compliance with its "relevant obligations" (as defined in that legislation). The directors further confirm that a compliance policy statement has been drawn up, and that appropriate arrangements and structures have been put in place that are, in the directors' opinion, designed to secure material compliance with the relevant obligations. A review of some of those arrangements and structures was conducted in the financial year to which this Directors' Report relates. In discharging their responsibilities under Section 225, the directors relied on the advice of persons who the directors believe have the requisite knowledge and experience to advise Mallinckrodt plc on compliance with its relevant obligations.

Going Concern

The directors have a reasonable expectation that Mallinckrodt plc and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Auditors

Deloitte, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Directors

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
JoAnn A. Reed	Mark C. Trudeau
Director	Director
3 April 2018	

MALLINCKRODT PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the Irish statutory group consolidated financial statements of Mallinckrodt plc in accordance with U.S. GAAP, in accordance with Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the group financial statements does not contravene any provision of Part 6 of the Companies Act 2014 or of any regulations made thereunder. The directors have elected to prepare the Mallinckrodt plc parent company financial statements in accordance with the Financial Reporting Standards ("FRS 102") applicable in the UK and Republic of Ireland ("relevant financial reporting framework") together with the Companies Act 2014. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the group and company as at the financial year end date and of the profit or loss of the group for the financial year and otherwise comply with the Companies Act 2014.

In preparing the group and company financial statements, the directors are required to:

- select suitable accounting policies for the Group and Company financial statements and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company; enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; enable them to ensure that the Group and Company financial statements and directors' report comply with the Companies Act 2014; and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of financial information included on the company's website. Legislation in Ireland concerning the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALLINCKRODT PLC

Report on the audit of the financial statements

Opinion on the financial statements of Mallinckrodt Public Limited Company (the 'Group')
In our opinion the Group financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group as at 29 December 2017 and of the profit of the Group for the 15 month financial period then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Consolidated Profit and Loss Account;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Cash Flow Statement; and
- the related notes 1 to 32, including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied in the preparation of the Group financial statements is the Companies Act 2014 and US Generally Accepted Accounting Principles (US GAAP), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the financial statements does not contravene Part VI of the Companies Act ("the relevant financial reporting framework").

We have reported separately on the parent company financial statements of Mallinckrodt Public Limited Company for the 15 month period ended 29 December 2017.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description	How the scope of our audit responded to the key audit matter
Carrying value of goodwill and intangible assets $11,857.7m The Group performs an assessment of the carrying value of goodwill and intangible assets at least annually or more frequently, when there are potential indicators of impairment. This assessment requires significant judgment in determining the appropriate assumptions including growth projections, revenue and cost assumptions, pricing and discount rates to use when projecting future cash flows to determine the fair value of these assets. Conditions that could indicate impairment such as changes in business climate, legal or regulatory environment, or deterioration of market capitalization are also taken into consideration. There is a risk that projections and assumptions, which are inherently subjective, are overly optimistic, or a triggering event is not identified resulting in an impairment not being recognized in the financial statements. Refer also to risks and uncertainties in the directors report, Note 2 (accounting policy for Goodwill and Other Intangibles) and Note 16 Intangible Assets.	In order to assess the carrying value of these intangible assets, we performed the following specific procedures: We evaluated management's procedures for assessing indicators of impairment within the Group's two reporting segments Specialty Brands and Specialty Generics. We obtained an understanding of management's controls over the development and approval of the projections and assumptions used in the impairment models and assessed the design and implementation, and tested the operating effectiveness of these controls. We gained an understanding of the key changes to the business and products in the current year and performed sensitivity analysis on key assumptions. We tested each key assumption used in management's annual calculations. Assisted by our internal valuation specialists, we evaluated the reasonableness of the revenue and cost assumptions, and projected growth rates by comparisons to historical trends or the gathering of other relevant information including market data and analyst reports. Our valuation specialists also assisted in evaluating the appropriateness of certain assumptions used including discount rates and testing the fair value calculation and underlying assumptions used to support the goodwill balance of the Specialty Brands reporting unit. We also analyzed the factors influencing the stock price and implied control premium. As set out in note 16, the Group re-performed the annual valuation of Specialty Brands reporting unit on December 29, 2017. Assisted by our internal valuation specialists, we re-performed the above procedures on these valuations. As set out in note 16, the Group recorded an impairment of $207m after experiencing customer consolidation and increased competition in the Generic market following the FDA's approval of new products expected to compete with the Group's Methylphenidate ER products. We assessed the triggering events giving rise to the impairment of Specialty Generics goodwill. We also assessed the adequacy of the disclosures provided for compliance with US GAAP.

Chargeback and Rebate Reserves **$327.4m** Revenue is stated net of certain deductions such as estimates for chargebacks and rebates. Chargebacks and rebates, including Medicaid rebates for Acthar, represent credits that are provided to certain distributors and customers for either the difference between the Group's contracted price with a customer and the distributor's invoice price paid to the Group or for contractually agreed volume price discounts. Estimating the amounts to be accrued for rebates and chargebacks is a complex process, requiring significant estimation and judgment by management as it relates to historical experience, estimated future trends, estimated customer inventory levels, current contracted sales terms with customers, level of utilization of the Group's products and other competitive factors. There is a risk that these estimates and judgments are incorrect or are manipulated resulting in incorrect reserves being recorded. Refer also to Note 2 (accounting policy for Turnover) in the financial statements.	In order to assess the charge back and rebate reserves, we performed the following specific procedures: We obtained an understanding of management's controls in respect of the rebate reserves and chargebacks reserve and, assessed the design and implementation, and tested the operating effectiveness of controls. We obtained an understanding of the Group's methodology for estimating these reserves and chargebacks. We assessed and considered the reasonableness of management's estimates by assessing the sufficiency and accuracy of the underlying data used in the calculation of the Medicaid rebate reserve including utilization rate, volumes reserved, channel inventory data, lagged rebate claims units and rebate rate applied. We developed an independent estimate of the generic rebate reserve by significant distributor and of the generic charge back reserve by product family and compared these independent estimates to management's estimates. We performed a retrospective analysis on actual versus expected historic claims levels and rebate payments to assess whether the methodology has resulted in accurate estimates in prior periods.
Contingent Consideration **$246.4m** Contingent consideration represents contractual arrangements to pay former owners of acquired businesses. These obligations are required to be recorded at fair value and adjusted at each respective balance sheet date. The determination of fair value is dependent upon projections of future revenues, probability of success on regulatory milestones, competitive entrants and timing. A significant level of management estimation is associated with the valuation of contingent consideration liabilities, hence a risk exists that the fair value of these contingent consideration liabilities are determined using inappropriate assumptions. Refer also to Note 2 (accounting policy for contingent consideration) and Note 7 Acquisitions and License Agreements and Note 28 Financial Instruments and Fair Value Measurements.	In order to assess contingent consideration, we performed the following specific procedures: We obtained an understanding of management's controls over: the key inputs used in determining purchase accounting for new acquisitions which include contingent consideration; and quarterly assessments of contingent consideration for indications of material changes in values; We assessed the design and implementation, and tested the operating effectiveness of these key controls. We performed the following substantive procedures: - obtained an understanding of the current status of existing contingent consideration; - inspected purchase contracts; - obtained proof of payments made by the Group; - recreated the valuation model for calculating new contingent consideration liabilities; - performed corroborative inquiry with Research and Development personnel; and - inspected sales projections used by management in the contingent consideration calculations. We also assessed the adequacy of the disclosures provided for compliance with GAAP.

Legal Entity Reorganization **$1,054.8m** The Group completed a tax and legal entity restructuring during the financial period to align with a strategic shift in the business. The transaction was large and complex, and depended upon multiple assumptions including the interpretation of applicable tax laws, regulations and potential challenges by the relevant tax authorities. The material tax gain recorded is dependent on the Group's estimate of its recorded uncertain tax position. There is a risk that assumptions used and judgments and interpretations of tax laws taken by the Group in valuing the deferred tax liabilities at period end are inappropriate and the related tax benefit of $1,054.8m recorded in the income statement during the period is misstated. Refer also to Note 9 Taxation	In order to assess this key audit matter, we performed the following specific procedures: We assessed the design and implementation, and tested the operating effectiveness of management's controls related to the legal entity restructuring; We used our tax specialists to evaluate the reorganization and interpretation of the applicable tax laws and regulations and the third party tax opinion obtained by the Group; Assisted by our tax specialists we tested underlying calculations and allocations supporting the tax gain recorded; We used our fair value specialists to assist in evaluating underlying valuation assumptions; and We tested the underlying projections and other assumptions used in the valuation of the remaining deferred tax liability.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be $30m which represents approximately 5% of adjusted net income and approximately 3% of adjusted pre-tax income. We have considered these two benchmarks of adjusted net income and adjusted pre-tax income to be critical components for determining materiality as we determined these results to be of most importance to the principal external users of the financial statements. We have considered quantitative and qualitative factors such as our understanding of the entity and its environment, history of misstatements, complexity of the Group, and reliability of the internal control environment in our determination of materiality.

We agreed with the Audit Committee that we would report to the Audit Committee any audit differences in excess of $1.25m or 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Group financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work in two significant components representing the Group's two reporting units Specialty Brands and Specialty Generics. These two components were subject to a full scope audit, whilst the remaining non-significant business units were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations in those areas. These two components represent the principal business units and account for the majority of the Group's net assets, revenue and profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the two components was executed at levels of materiality applicable to each individual component which were lower than Group materiality - $21.6 million for Specialty Generics and $25.2 million for Specialty Brands.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Consolidated Financial Statements for the 15 month period ended 29 December 2017, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the group to express an opinion on the consolidated financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014
Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception
Based on the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

/s/Emer O'Shaughnessy
Emer O'Shaughnessy
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
3 April 2018

MALLINCKRODT PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
(in millions, except per share data)

	Note	Fifteen Months Ended December 29, 2017 Ordinary Activities	Fifteen Months Ended December 29, 2017 Discontinued Operations	Fifteen Months Ended December 29, 2017 Total	Fiscal Year Ended September 30, 2016 Ordinary Activities	Fiscal Year Ended September 30, 2016 Discontinued Operations	Fiscal Year Ended September 30, 2016 Total
Turnover	4	$ 4,051.5	$ 131.0	$ 4,182.5	$ 3,380.8	$ 479.6	$ 3,860.4
Cost of sales		1,949.4	60.3	2,009.7	1,525.8	263.5	1,789.3
Gross profit		2,102.1	70.7	2,172.8	1,855.0	216.1	2,071.1
Distribution and administrative expenses		1,130.3	24.5	1,154.8	1,015.8	103.5	1,119.3
Research and development costs		343.5	0.3	343.8	262.2	7.0	269.2
Restructuring charges, net	5	35.0	—	35.0	33.3	2.3	35.6
Non-restructuring impairment charges	16	278.0	—	278.0	16.9	—	16.9
Profit on disposal of operations	6	—	(361.6)	(361.6)	—	(95.3)	(95.3)
Operating profit		315.3	407.5	722.8	526.8	198.6	725.4
Interest payable and similar charges	8	(460.4)	—	(460.4)	(384.6)	—	(384.6)
Interest receivable and similar income		5.1	—	5.1	1.3	0.1	1.4
Other income (loss), net		5.1	—	5.1	(0.6)	(0.5)	(1.1)
Profit (loss) on ordinary activities before taxation		(134.9)	407.5	272.6	142.9	198.2	341.1
Taxation (credit) charge	9	(1,794.7)	20.7	(1,774.0)	(292.4)	43.5	(248.9)
Profit after taxation		$ 1,659.8	$ 386.8	$ 2,046.6	$ 435.3	$ 154.7	$ 590.0
Basic earnings per ordinary share:	10	$ 16.72	$ 3.90	$ 20.61	$ 3.94	$ 1.40	$ 5.33
Diluted earnings per ordinary share:	10	$ 16.65	$ 3.88	$ 20.53	$ 3.90	$ 1.39	$ 5.29

MALLINCKRODT PLC
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
(in millions)

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Profit after taxation	$ 2,046.6	$ 590.0
Other comprehensive (loss) profit, net of taxation		
Currency translation adjustments	(9.8)	(58.6)
Unrecognized gain on derivatives, net of tax charge of $0.3 and $0.2	1.2	0.5
Unrecognized gain (loss) on benefit plans, net of tax charge (credit) of $50.1 and ($15.0)	79.8	(28.4)
Unrecognized gain on investments	1.5	—
Total other comprehensive income (loss), net of taxation	72.7	(86.5)
Comprehensive profit	$ 2,119.3	$ 503.5

MALLINCKRODT PLC
CONSOLIDATED BALANCE SHEETS
(in millions)

	Note	December 29, 2017		September 30, 2016	
Fixed Assets					
Intangible assets	16	$	11,857.7	$	12,887.6
Tangible assets	17		966.8		1,033.0
Financial assets	18		145.3		124.2
			12,969.8		14,044.8
Current Assets					
Stocks	19		340.4		354.6
Debtors	20		709.8		817.8
Cash at bank and in hand			1,260.9		280.5
			2,311.1		1,452.9
Creditors (amounts falling due within one year)	21		913.1		1,034.5
Net Current Assets			1,398.0		418.4
Total Assets Less Current Liabilities			14,367.8		14,463.2
Creditors (amounts falling due after more than one year)	22		6,634.7		5,922.5
Provisions for Liabilities	29		1,211.1		3,335.4
Net Assets		$	6,522.0	$	5,205.3
Capital and Reserves					
Called-up share capital presented as equity	30	$	18.4	$	23.6
Share premium account	30		4.1		3,996.5
Other reserves	30		1,478.7		1,330.6
Profit and loss account			5,020.8		(145.4)
Shareholders' Funds		$	6,522.0	$	5,205.3

Approved by the Board of Directors on 3 April 2018 and signed on its behalf by:

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
JoAnn A. Reed	Mark C. Trudeau
Director	Director

MALLINCKRODT PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Cash Flows From Ordinary Operating Activities:		
Profit after taxation	$ 2,046.6	$ 590.0
Adjustments to reconcile net cash provided by ordinary operating activities:		
Depreciation and amortization	1,011.5	834.5
Share-based compensation	70.2	42.9
Deferred taxation	(1,911.8)	(469.7)
Non-cash impairment charges	278.0	16.9
Stocks provisions	42.6	29.2
Gain on disposal of discontinued operations	(418.1)	(95.3)
Other non-cash items	(30.6)	29.6
Changes in assets and liabilities, net of the effects of acquisitions:		
Trade debtors	20.3	31.2
Stocks	(49.9)	(17.3)
Trade creditors	(20.4)	(9.7)
Taxation	(33.6)	93.9
Other	(81.9)	108.4
Net cash provided by ordinary operating activities	922.9	1,184.6
Cash Flows From Ordinary Investing Activities:		
Capital expenditures	(251.3)	(182.9)
Acquisitions and intangibles, net of cash acquired	(78.1)	(245.4)
Proceeds from disposal of discontinued operations	576.9	266.7
Other	(6.3)	6.0
Net cash provided by (used in) ordinary investing activities	241.2	(155.6)
Cash Flows From Ordinary Financing Activities:		
Issuance of external debt	1,655.0	98.3
Repayment of external debt and capital leases	(1,003.9)	(568.6)
Debt financing costs	(12.7)	(0.1)
Proceeds from exercise of share options	4.5	14.0
Repurchase of shares	(810.5)	(652.9)
Other	(16.5)	(53.0)
Net cash used in ordinary financing activities	(184.1)	(1,162.3)
Effect of currency rate changes on cash at bank and in hand	(0.5)	0.3
Net decrease in cash at bank and in hand and restricted cash	979.5	(133.0)
Cash at bank and in hand and restricted cash at beginning of period	299.6	432.6
Cash at bank and in hand and restricted cash at end of period	$ 1,279.1	$ 299.6
Cash at bank and in hand at end of period	$ 1,260.9	$ 280.5
Restricted Cash, Current at end of period	—	0.1
Restricted Cash, Noncurrent at end of period	18.2	19.0
Cash at bank and in hand at end of period	$ 1,279.1	$ 299.6
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest, net	$ 434.5	$ 332.4
Cash paid for taxation, net	169.0	165.4

MALLINCKRODT PLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in millions)

	Called-up Share Capital			Other Reserves				
	Number	Amount	Share Premium Account (Note 30)	Capital Redemption Reserve	Other (Note 30)	Accumulated Other Comprehensive Profit (Note 25)	Profit and Loss Account	Total
Balance at September 25, 2015	117.5	$ 23.5	$ 3,982.6	$ —	$ 1,375.0	$ 0.9	$ (82.5)	$ 5,299.5
Profit after taxation	—	—	—	—	—	—	590.0	590.0
Other comprehensive loss, net of tax	—	—	—	—	—	(86.5)	—	(86.5)
Share options exercised	0.4	0.1	13.9	—	—	—	—	14.0
Vesting of restricted shares	0.2	—	—	—	—	—	—	—
Excess tax benefit from share-based compensation	—	—	—	—	(1.7)	—	—	(1.7)
Share-based compensation	—	—	—	—	42.9	—	—	42.9
Repurchase of ordinary shares	—	—	—	—	—	—	(652.9)	(652.9)
Balance at September 30, 2016	118.1	23.6	3,996.5	—	1,416.2	(85.6)	(145.4)	5,205.3
Impact of accounting standard adoptions	—	—	—	—	—	—	(72.1)	(72.1)
Profit after taxation	—	—	—	—	—	—	2,046.6	2,046.6
Other comprehensive income, net of tax	—	—	—	—	—	72.7	—	72.7
Share options exercised	0.2	—	4.5	—	—	—	—	4.5
Vesting of restricted shares	0.4	0.1	—	—	—	—	—	0.1
Shares canceled	(26.5)	(5.3)	—	5.3	—	—	—	—
Transfer to profit and loss account	—	—	(3,996.9)	—	—	—	3,996.9	—
Excess tax benefit from share-based compensation	—	—	—	—	(0.1)	—	—	(0.1)
Share-based compensation	—	—	—	—	70.2	—	—	70.2
Repurchase of ordinary shares	—	—	—	—	—	—	(810.5)	(810.5)
Reissued shares	—	—	—	—	—	—	5.3	5.3
Balance at December 29, 2017	92.2	$ 18.4	$ 4.1	$ 5.3	$ 1,486.3	$ (12.9)	$ 5,020.8	$ 6,522.0

MALLINCKRODT PLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in millions, except share data and where indicated)

1. Background and Basis of Presentation

Background

Mallinckrodt plc and its subsidiaries (collectively, "Mallinckrodt" or "the Group"), is a global business that develops, manufactures, markets and distributes specialty pharmaceutical products and therapies. As of December 29, 2017, areas of focus include autoimmune and rare diseases in specialty areas like neurology, rheumatology, nephrology, pulmonology and ophthalmology; immunotherapy and neonatal respiratory critical care therapies; and analgesics. Our core strengths include the acquisition and management of highly regulated raw materials and specialized chemistry, formulation and manufacturing capabilities.

The Group's business is operated in two reportable segments, which are further described below:

- *Specialty Brands* includes branded medicines; and
- *Specialty Generics* includes specialty generic drugs, active pharmaceutical ingredients ("API") and external manufacturing.

In May 2015, the Board of Directors of Mallinckrodt plc approved the migration of the Group's principal executive offices from Ireland to the United Kingdom ("U.K."). The Group remains incorporated in Ireland and continues to be subject to United States ("U.S.") Securities and Exchange Commission ("SEC") reporting requirements and the applicable corporate governance rules of the New York Stock Exchange

Basis of Presentation

The directors have elected to prepare the consolidated financial statements of Mallinckrodt plc in accordance with Section 279 of the Companies Act 2014, which provides that a true and fair view of the assets and liabilities, financial position and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of Part 6 of the Companies Act 2014. The directors have elected to prepare the Mallinckrodt plc parent company financial statements under generally accepted accounting practices in Ireland ("Irish GAAP FRS 102") as they are prepared specifically to comply with Irish legislative requirements and represent the results and financial position of Mallinckrodt plc, which is incorporated and registered in the Republic of Ireland.

These consolidated financial statements were prepared in accordance with the Companies Act 2014, to present to shareholders and file with the Companies Registration Office in Ireland. Accordingly, these consolidated financial statements include disclosures required by the Companies Act 2014, in addition to those required under U.S. GAAP as well as any other adjustments required by Irish law.

The consolidated financial statements have been prepared in U.S. dollars and in accordance with U.S. GAAP. The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of turnover and expenses. Actual results may differ from those estimates. The consolidated financial statements include the accounts of the Mallinckrodt plc, its wholly-owned subsidiaries and entities in which they own or control more than fifty percent of the voting shares, or have the ability to control through similar rights. The results of entities disposed of are included in the consolidated financial statements up to the date of disposal and, where appropriate, these operations have been reflected as discontinued operations. Divestitures of product lines not representing businesses have been reflected in operating profit. All intercompany balances and transactions have been eliminated in consolidation and, in the opinion of management all normal recurring adjustments necessary for a fair presentation have been included in the results reported.

Beginning in the first quarter of fiscal year 2016, the Group revised the presentation of certain medical affairs costs to better align with industry practice, which were previously included in distribution and administrative ("D&A") expenses and are now included in research and development ("R&D") costs. No other financial statement line items were impacted by this change in classification.

Under Irish law, the Group can only pay dividends and repurchase shares out of distributable reserves. Net profit has been included in the profit and loss account and is included in distributable reserves.

Preferred Shares

Mallinckrodt plc is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at December 29, 2017. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Mallinckrodt plc, the holders of any preferred shares then outstanding would, if issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to payment to them of the amount for which the preferred shares were subscribed and any unpaid dividends prior to any payment to the ordinary shareholders.

Fiscal Year

The Group reports its results based on a "52-53 week" year ending on the last Friday of December. On May 17, 2016, the Board of Directors of the Group approved a change in the Group's fiscal year end to the last Friday in December from the last Friday in September. As a result of the change in fiscal year end, the Group filed with the U.S. Securities Exchange Commission ("SEC") a Transition Report on Form 10-Q on February 7, 2017 covering the period from October 1, 2016 through December 30, 2016 ("the three months ended December 30, 2016"). The change in fiscal year became effective for the Group's 2017 fiscal year, which began on December 31, 2016 and ended on December 29, 2017 ("fiscal 2017"). As a result, the period of this report covers October 1, 2016 through December 29, 2017 ("the fifteen months ended December 29, 2017") and the fiscal year ended September 30, 2016 ("fiscal 2016").

2. Summary of Significant Accounting Policies

Turnover Recognition

The Group recognizes turnover for product turnover when title and risk of loss have transferred from the Group to the buyer, which may be upon shipment, delivery to the customer site, consumption of the product by the customer, or over the period in which the customer has access to the product and any related services, based on contract terms or legal requirements in non-U.S. jurisdictions. The Group sells products through independent channels, including directly to retail pharmacies, end user customers and through distributors who resell the products to retail pharmacies, institutions and end user customers. Certain products are sold and distributed directly to hospitals. Chargebacks and rebates that are provided to certain distributors and customers for either the difference between the Group's contracted price with a customer and the distributor's invoice price paid to the Group or for contractually agreed discounts. When the Group recognizes turnover, it simultaneously records an adjustment to revenue for estimated chargebacks, rebates, product returns and other turnover deductions. These provisions are estimated based upon historical experience, estimated future trends, estimated customer inventory levels, current contracted turnover terms with customers, level of utilization of the Group's products and other competitive factors. The Group adjusts these reserves to reflect differences between estimated activity and actual experience. Such adjustments impact the amount of turnover recognized by the Group in the period of adjustment.

Taxes collected from customers relating to product turnover and remitted to governmental authorities are accounted for on a net basis. Accordingly, such taxes are excluded from both turnover and expenses.

The following table reflects activity in our turnover reserve accounts:

	Rebates and Chargebacks	Product Returns	Other Turnover Deductions	Total
Balance at September 30, 2016	327.2	39.0	13.5	379.7
Provisions	2,390.1	44.4	91.8	2,526.3
Payments or credits	(2,389.9)	(48.9)	(90.6)	(2,529.4)
Balance at December 29, 2017	$ 327.4	$ 34.5	$ 14.7	$ 376.6

Shipping and Handling Costs

Shipping costs, which are costs incurred to physically move product from the Group's premises to the customer's premises, are classified as distribution and administrative ("D&A") expenses. Handling costs, which are costs incurred to store, move and prepare product for shipment, are classified as cost of sales. Shipping costs included in D&A expenses were $26.8 million and $43.5 million in for the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, respectively.

Research and Development

Internal research and development ("R&D") costs are expensed as incurred. R&D costs include salary and benefits, allocated overhead and occupancy costs, clinical trial and related clinical manufacturing costs, contract services, medical affairs and other costs.

Upfront and milestone payments made to third parties under license arrangements are expensed as incurred up to the point of regulatory approval of the product. Milestone payments made to third parties upon or subsequent to regulatory approval are capitalized as an intangible asset and amortized to cost of sales over the estimated useful life of the related product.

Currency Translation

For the Group's non-U.S. subsidiaries that transact in a functional currency other than U.S. dollars, assets and liabilities are translated into U.S. dollars using fiscal year-end exchange rates. Turnover and expenses are translated at the average exchange rates in effect during the related month. The net effect of these translation adjustments is shown in the consolidated financial statements as a component of accumulated other comprehensive profit. For subsidiaries operating in highly inflationary environments or where the functional currency is different from the local currency, non-monetary assets and liabilities are translated at the rate of exchange in effect on the date the assets and liabilities were acquired or assumed, while monetary assets and liabilities are translated at fiscal year-end exchange rates. Translation adjustments of these subsidiaries are included in profit after taxation. Gains and losses resulting from foreign currency transactions are included in profit after taxation. During the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, $11.4 million of foreign currency gains and $5.9 million of foreign currency losses, respectively, were included within profit after taxation. The Group entered into derivative instruments to mitigate the exposure of movements in certain of these foreign currency transactions and recognized losses of $13.0 million and $0.7 million during the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, respectively.

Cash at Bank and In Hand

The Group classifies cash on hand and deposits in banks, including commercial paper, money market accounts and other investments it may hold from time to time, with an original maturity to the Group of three months or less, as cash at bank and in hand.

Trade Debtors and Allowance for Doubtful Accounts

Trade debtors are presented net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects an estimate of losses inherent in the Group's portfolio of trade debtors determined on the basis of historical experience, specific allowances for known troubled accounts and other available evidence. Trade debtors are written off when management determines they are uncollectible. Trade debtors are also presented net of reserves related to chargebacks and non-branded rebates payable to customers for whom the Group have trade debtors and the right of offset exists.

Stocks

Stocks are recorded at the lower of cost or market value, primarily using the first-in, first-out convention. The Group reduces the carrying value of stocks for those items that are potentially excess, obsolete or slow-moving based on changes in customer demand, technology developments or other economic factors.

Tangible Assets

Tangible assets are stated at cost. Major renewals and improvements are capitalized, while routine maintenance and repairs are expensed as incurred. Depreciation for tangible assets, other than land and construction in process, is based upon the following estimated useful lives, using the straight-line method:

Buildings	10	to	45 years
Leasehold improvements	1	to	20 years
Capitalized software	1	to	10 years
Machinery and equipment	1	to	20 years

The Group capitalizes certain computer software and development costs incurred in connection with developing or obtaining software for internal use.

Upon retirement or other disposal of tangible assets, the cost and related amount of accumulated depreciation are eliminated from the asset and accumulated depreciation accounts, respectively. The difference, if any, between the net asset value and the proceeds is included in the Profit and Loss Account.

The Group assesses the recoverability of assets or asset groups using undiscounted cash flows whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. If an asset or asset group is found to be impaired, the amount recognized for impairment is equal to the difference between the carrying value of the asset or asset group and its fair value.

Acquisitions

Amounts paid for acquisitions are allocated to the tangible assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group then allocates the purchase price in excess of net tangible assets acquired to identifiable intangible assets, including purchased R&D. The fair value of identifiable intangible assets is based on detailed valuations. The Group allocates any excess purchase price over the fair value of the net tangible and intangible assets acquired to goodwill.

The Group's acquired in-process research and development ("IPR&D") represents the estimated fair value as of the acquisition date of in-process projects that have not reached technological feasibility. The primary basis for determining technological feasibility of these projects is obtaining regulatory approval.

The fair value of IPR&D is determined using the discounted cash flow method. In determining the fair value of IPR&D, the Group considers, among other factors, appraisals, the stage of completion of the projects, the technological feasibility of the projects, whether the projects have an alternative future use and the estimated residual cash flows that could be generated from the various projects and technologies over their respective projected economic lives. The discount rate used includes a rate of return which accounts for the time value of money, as well as risk factors that reflect the economic risk that the cash flows projected may not be realized.

The fair value attributable to IPR&D projects at the time of acquisition is capitalized as an indefinite-lived intangible asset and tested for impairment until the project is completed or abandoned. Upon completion of the project, the indefinite-lived intangible asset is then accounted for as a finite-lived intangible asset and amortized on a straight-line basis over its estimated useful life. If the project is abandoned, the indefinite-lived intangible asset is charged to expense.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to assets and liabilities assumed in a business combination. Irish company law requires indefinite-lived intangible assets and goodwill to be amortized; however, the directors do not believe that this gives a true and fair value because not all goodwill and intangible assets decline in value. In addition, goodwill that does decline in value rarely declines on a straight-line basis, as such straight-line amortization of goodwill over an arbitrary period does not reflect the economic reality. Therefore, to present a true and fair value of the economic reality, under U.S. GAAP, goodwill and certain other intangible assets are considered indefinite-lived and are not amortized. Rather, the Group tests goodwill for impairment on the first day of the fourth quarter of each fiscal year, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment test is comprised of comparing the carrying value of a reporting unit to its estimated fair value. The Group estimates the fair value of a reporting unit through internal analyses and valuation, utilizing an income approach (a level three measurement technique) based on the present value of future cash flows. If the carrying value of a reporting unit exceeds its fair value, the Group will recognize the excess of the carrying value over the fair value as a goodwill impairment loss.

Intangible assets acquired in a business combination are recorded at fair value, while intangible assets acquired in other transactions are recorded at cost. Intangible assets with finite useful lives are subsequently amortized generally using the straight-line method over the following estimated useful lives of the assets, except for customer relationships, which are amortized over the estimated pattern of benefit from these relationships:

Completed technology	5	to	25 years
License agreements	7	to	30 years
Trademarks	13	to	30 years
Customer relationships			12 years

Amortization expense related to completed technology and certain other intangible assets is included in cost of sales, while amortization expense related to intangible assets that contribute to the Group's ability to sell, market and distribute products is included in D&A expenses.

When a triggering event occurs, the Group evaluates potential impairment of finite-lived intangible assets by first comparing undiscounted cash flows associated with the asset, or the asset group they are part of, to its carrying value. If the carrying value is greater than the undiscounted cash flows, the amount of potential impairment is measured by comparing the fair value of the assets, or the asset group they are part of, with their carrying value. The fair value of the intangible asset, or the asset group they are part of, is estimated using an income approach. If the fair value is less than the carrying value of the intangible asset, or the asset group they are part of, the amount recognized for impairment is equal to the difference between the carrying value of the asset and the fair value of the asset. The Group assesses the remaining useful life and the recoverability of finite-lived intangible assets whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. The Group annually tests the indefinite-lived intangible assets for impairment by comparing the fair value of the assets, estimated using an income approach, with their carrying value, and records an impairment when the carrying value exceeds the fair value.

Contingent Consideration

As part of certain acquisitions, the Group is subject to contractual arrangements to pay contingent consideration to former owners of these businesses. The payment of obligations under these arrangements are uncertain, and even if payments are expected to be made the timing of these payments may be uncertain as well. These contingent consideration obligations are required to be recorded at fair value within the consolidated balance sheet and adjusted at each respective balance sheet date, with changes in the fair value being recognized in the consolidated statement of income. The determination of fair value is dependent upon a number of factors, which include projections of future revenues, the probability of success of achieving certain regulatory milestones, competitive entrants into the marketplace, the timing associated with the aforementioned criteria, and market place data (e.g., interest rates). Several of these assumptions require projections several years into the future. Due to these inherent uncertainties, there is risk that the contingent consideration liabilities may be overstated or understated. Changes in economic and operating conditions impacting these assumptions are expected to impact future operating results, with the magnitude of the impact tied to the significance in the change in assumptions.

Contingencies

The Group is subject to various patent, product liability, government investigations, environmental liability and other legal proceedings in the ordinary course of business. The Group records accruals for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. The Group discounts environmental liabilities using a risk-free rate of return when the obligation is fixed or reasonably determinable. The impact of the discount in the consolidated balance sheets was not material in any period presented. Legal fees, other than those pertaining to environmental and asbestos matters, are expensed as incurred. Insurance recoveries related to potential claims are recognized up to the amount of the recorded liability when coverage is confirmed and the estimated recoveries are probable of payment. Assets and liabilities are not netted for financial statement presentation.

Share-Based Compensation

The Group recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards. That cost is recognized over the period during which an employee is required to provide service in exchange for the award, the requisite service period (generally the vesting period). For more information about the Group's share-based awards, refer to Note 11.

Restructuring

The Group recognizes charges associated with board approved restructuring programs designed to transform its business and improve its cost structure. Restructuring charges can include severance costs, infrastructure charges, distributor contract cancellations and other items. The Group records restructuring charges based on estimated consolidation plans and accrues for costs when they are probable and reasonably estimable.

Taxation

Deferred tax assets and liabilities are recognized for the expected future taxation consequences of events that have been reflected in the consolidated financial statements. Deferred taxation assets and liabilities are determined based on the differences between the book and tax bases of assets and liabilities and operating loss carryforwards, using tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to reduce net deferred taxation assets if, based upon the available evidence, it is more likely than not that some or all of the deferred taxation assets will not be realized. Deferred tax liabilities are also recorded for deferred tax obligations related to installment sale arrangements. The deferral of tax payments to the Internal Revenue Service ("IRS") are subject to interest, which is accrued and included within interest expense.

The Group determines whether it is more likely than not that a tax position will be sustained upon examination. The tax benefit of any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the uncertainty. To the extent a full benefit is not expected to be realized on the uncertain tax position, a tax liability is established. Interest and penalties on taxation obligations, including uncertain tax positions, are included in the provision for taxation.

The calculation of the Group's tax liabilities involves dealing with uncertainties in the application of complex tax regulations in a multitude of jurisdictions across the Group's global operations. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from current estimates of the tax liabilities. If the Group's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If payment of these amounts ultimately proves to be less than the recorded amounts, the reversal of the liabilities may result in taxation benefits being recognized in the period when it is determined that the liabilities are no longer necessary. A significant portion of these potential tax liabilities are recorded in creditors (amounts falling due after more than one year) on the consolidated balance sheets as payment is not expected within one year.

3. Recently Issued Accounting Standards

Adopted

The Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2017-04, "Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment," in January 2017. This update eliminates the two step test utilized in goodwill impairment testing, and requires the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Group early adopted this standard during the fifteen months ended December 29, 2017, which did not have a material impact to the consolidated financial statements. The Group will apply this standard to prospective goodwill impairment tests.

The FASB issued ASU 2016-16, "Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory," in October 2016. This update simplifies the practice in how income tax consequences of an intra-entity transfer of an asset other than inventory should be recognized. Upon adoption, the entity must recognize such income tax consequences when the intra-entity transfer occurs rather than waiting until such time as the asset has been sold to an outside party. The Group early adopted this standard during the fifteen months ended December 29, 2017, which resulted in a $75.0 million decrease to profit and loss account with an offsetting decrease of $67.2 million to debtors falling due after more than one year and a $7.8 million decrease to debtors falling due within one year on the consolidated balance sheet. The prior periods were not restated.

The FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," in August 2016 and ASU 2016-18 "Statement of Cash Flows (Topic 230): Restricted Cash," in November 2016.

These updates provide guidance for nine targeted clarifications with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The Group early adopted these standards during the fifteen months ended December 29, 2017 and revised the prior year statement of cash flow. The adoption of ASU 2016-18, regarding presentation of restricted cash, increased the net cash used in investing activities during fiscal year ended September 30, 2016 by $47.3 million. The adoption of ASU 2016-15, regarding the other targeted clarifications, did not result in any material changes to the consolidated financial statements.

The FASB issued ASU 2016-09, "Stock Compensation," in March 2016. This update simplifies several aspects of the accounting for share-based payment award transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification of certain tax effects within the statement of cash flows. Upon adoption, the entity must recognize the incremental income tax expense or benefit related to share option exercises and restricted share unit vesting in the statement of income, whereas these tax effects are presently recognized directly in shareholders' equity. In addition, the incremental tax benefit associated with these events will be classified as a cash inflow from operating activity as compared with a financing activity, as required under current guidance. The Group adopted this standard during the fifteen months ended December 29, 2017, which resulted in a $2.9 million increase to profit and loss account to recognize net operating loss carryforwards, net of a valuation allowance, attributable to excess tax benefits on stock compensation that had not been previously recognized in additional paid-in capital.

The FASB issued ASU 2015-17, "Balance Sheet Reclassification of Deferred Taxes," in November 2015. This update requires all deferred tax assets and liabilities, along with any related valuation allowance, to be classified as noncurrent on the consolidated balance sheets. Each jurisdiction will now only have one net noncurrent deferred tax asset or liability. The Group elected to early adopt this guidance as of September 30, 2016 on a prospective basis. As such, the Group reclassified $122.6 million of current deferred income taxes to noncurrent as of September 30, 2016.

The FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," in September 2015. This update requires an acquirer to recognize adjustments to the provisional amounts that are identified during the measurement period in the reporting period in which the adjusting amounts are determined. The amendments in this update require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. The Group adopted this standard during the fifteen months ended December 29, 2017, which did not have a material impact to the consolidated financial statements.

The FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," in July 2015. The issuance of ASU 2015-11 is part of the FASB's initiative to more closely align the measurement of inventory between GAAP and International Financial Reporting Standards ("IFRS"). Under the new guidance, inventory must be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The Group adopted this standard during the fifteen months ended December 29, 2017, which did not have a material impact to the consolidated financial statements.

Not Yet Adopted

The FASB issued ASU 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities" in August 2017. This update simplifies the application of hedge accounting and enhances the economics of the entity's risk management activities in its financial statements. The update amends the guidance on designation and measurement for qualifying hedging relationships requiring the application of a modified retrospective approach on the date of adoption. This guidance is effective for the Group in the first quarter of fiscal 2019. The Group is assessing the impact of this guidance on its consolidated financial statements.

The FASB issued ASU 2017-09, "Compensation - Stock Compensation: Scope of Modification Accounting," in May 2017. Under the new guidance, the effects of a modification should be accounted for unless all of the following are met: (1) the fair value or calculated intrinsic value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The amendments should be applied prospectively to an award modified on or after the adoption date. This guidance is effective for the Group in the first quarter of fiscal 2018. The Group expects the impact of this guidance to be immaterial to the consolidated financial statements upon adoption.

The FASB issued ASU 2017-07, "Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post Retirement Benefit Cost," in March 2017. This update requires that the service cost component be disaggregated from the other components of net benefit cost. Service cost should be reported in the same line item or items as other compensation costs arising from services rendered by pertinent employees during the period. The other components of net benefit cost should be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. This guidance is effective for the Group in the first quarter of fiscal 2018. The Group expects the impact of this guidance to be immaterial to the consolidated financial statements upon adoption.

The FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business," in January 2017. This update provides a screen to determine whether or not a set of assets is a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of assets is not a business. If the screen is not met, the amendments in this update (1) require that to be considered a business, a set of assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements. This guidance is effective for the Group in the first quarter of fiscal 2018. The Group does not anticipate a significant impact upon adoption.

The FASB issued ASU 2016-02, "Leases," in February 2016. This update was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). This guidance is effective for the Group in the first quarter of fiscal 2019. Upon adoption, the lessee will apply the new standard using a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. The Group is currently identifying all lease arrangements and will assess the potential impact of this guidance. At this time, the Group does not anticipate a significant impact upon adoption. However, identification of further lease or embedded lease arrangements may identify a more significant impact.

The FASB issued ASU 2014-09, "Revenue from Contracts with Customers," in May 2014. The issuance of ASU 2014-09 and IFRS 15, "Revenue from Contracts with Customers," completes the joint effort by FASB and the International Accounting Standards Board to clarify the principles for recognizing revenue and develop a common revenue standard for GAAP and IFRS. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, applying the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance is effective for the Group in the first quarter of fiscal year 2018 (following the change in fiscal year). The FASB subsequently issued additional ASUs to clarify the guidance of ASU 2014-09. The ASUs issued include ASU 2016-08, "Revenue from Contracts with Customers;" ASU 2016-10 "Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing;" and ASU 2016-12, "Narrow-Scope Improvements and Practical Expedients." The Group has substantially completed its assessment of its customer arrangements for which the Group currently recognizes turnover and does not anticipate a material impact upon adoption. The Group will utilize the modified retrospective transition approach of adopting the ASU. Upon adoption, the Group will recognize the cumulative effect of adopting this guidance as an adjustment to profit and loss account, the impact of which is not expected to be material. Prior periods will not be restated.

4. Segment and Geographical Data

Through December 29, 2017, the Group operated its business under two reportable segments, which are described below:

- *Specialty Brands* includes branded medicines; and
- *Specialty Generics* includes specialty generic drugs, API and external manufacturing.

Management measures and evaluates the Group's operating segments based on segment turnover and operating profit. Management excludes corporate expenses from segment operating profit. In addition, certain amounts that management considers to be non-recurring or non-operational are excluded from segment operating profit because management evaluates the operating results of the segments excluding such items. These items include, but are not limited to, turnover and expenses associated with product turnover to the acquirer of the Group's contrast media and delivery systems ("CMDS") business under an ongoing supply agreement, intangible asset amortization, net restructuring and related charges, non-restructuring impairments and separation costs. Although these amounts are excluded from segment operating profit, as applicable, they are included in reported consolidated operating profit and in the following reconciliations presented below.

Management manages assets on a total Group basis, not by operating segment. The chief operating decision maker does not regularly review any asset information by operating segment and, accordingly, the Group does not report asset information by operating segment. Total assets were approximately $15.3 billion and $15.5 billion at December 29, 2017 and September 30, 2016, respectively.

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Turnover:		
Specialty Brands	$ 2,928.4	$ 2,300.6
Specialty Generics	1,052.4	1,025.2
Turnover of operating segments [1]	3,980.8	3,325.8
Other [2]	70.7	55.0
Turnover from continuing activities	4,051.5	3,380.8
Turnover from discontinued operations	131.0	479.6
Turnover	$ 4,182.5	$ 3,860.4
Operating profit:		
Specialty Brands	$ 1,472.4	$ 1,166.2
Specialty Generics	284.2	376.1
Segment operating profit	1,756.6	1,542.3
Unallocated amounts:		
Corporate and allocated expenses [3]	(251.4)	(260.3)
Intangible asset amortization	(870.2)	(700.1)
Restructuring and related charges, net [4]	(41.7)	(38.2)
Non-restructuring impairments	(278.0)	(16.9)
Operating profit from continuing activities	315.3	526.8
Operating profit from discontinued operations	407.5	198.6
Operating profit	$ 722.8	$ 725.4
Depreciation and amortization [5]:		
Specialty Brands	$ 886.6	$ 716.6
Specialty Generics	124.9	96.8
Depreciation and amortization from continuing activities	1,011.5	813.4
Depreciation and amortization from discontinued operations	—	20.9
Depreciation and amortization	$ 1,011.5	$ 834.3

(1) Amounts represent turnover to external customers. There was no intersegment turnover.

(2) Represents turnover from an ongoing, post-divestiture supply agreement with the acquirer of the CMDS business. Amounts for periods prior to the divestiture represent the reclassification of intercompany turnover to third-party turnover to conform with the expected presentation of the ongoing supply agreement.

(3) Includes administration expenses and certain compensation, environmental and other costs not charged to the Group's operating segments.

(4) Includes restructuring-related accelerated depreciation.

(5) Depreciation for certain shared facilities is allocated based on occupancy percentage.

Turnover by product family from continuing activities within the Group's segments was as follows:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
H.P. Acthar Gel	$ 1,520.5	$ 1,160.4
Inomax	623.5	474.3
Ofirmev	375.0	284.3
Therakos	262.3	207.6
Hemostasis products	68.5	42.5
Other	78.6	131.5
Specialty Brands	2,928.4	2,300.6
Hydrocodone (API) and hydrocodone-containing tablets	108.5	146.5
Oxycodone (API) and oxycodone-containing tablets	103.1	126.2
Methylphenidate ER	93.7	103.5
Other controlled substances	514.5	468.1
Other	232.6	180.9
Specialty Generics	1,052.4	1,025.2
Other (1)	70.7	55.0
Turnover from continuing activities	$ 4,051.5	$ 3,380.8

(1) Represents turnover from an ongoing, post-divestiture supply agreement with the acquirer of the CMDS business. Amounts for periods prior to the divestiture represent the reclassification of intercompany turnover to third-party turnover to conform with the expected presentation of the ongoing supply agreement.

Selected information by geographic area was as follows:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Turnover (1):		
U.S.	$ 3,662.7	$ 3,388.6
Europe, Middle East and Africa	295.1	360.9
Other	93.7	110.9
	$ 4,051.5	$ 3,860.4
Long-lived assets (2):		
U.S.	$ 788.5	$ 899.8
Europe, Middle East and Africa (3)	127.0	96.4
Other	63.5	52.5
	$ 979.0	$ 1,048.7

(1) Turnover is attributed to regions based on the location of the entity that records the transaction, none of which relate to the country of Ireland.
(2) Long-lived assets are primarily composed of tangible assets.
(3) Includes long-lived assets located in Ireland of $126.0 million and $59.3 million as of December 29, 2017 and September 30, 2016, respectively.

5. Restructuring and Related Charges

During fiscal year ended September 27, 2013, the Group launched a restructuring program designed to improve its cost structure ("the 2013 Mallinckrodt Program"). The 2013 Mallinckrodt Program includes actions across all segments, as well as within corporate functions. The Group expects to incur charges of $100.0 million to $125.0 million under this program as the specific actions required to execute on these initiatives are identified and approved. As of December 29, 2017, the Group has substantially completed the 2013 Mallinckrodt Program.

In July 2016, the Group's Board of Directors approved a $100.0 million to $125.0 million restructuring program ("the 2016 Mallinckrodt Program") designed to further improve its cost structure, as the Group continues to transform its business. The 2016 Mallinckrodt Program is expected to include actions across the Specialty Brands and Specialty Generics segments, as well as within corporate functions. There is no specified time period associated with the 2016 Mallinckrodt Program.

In addition to the 2016 Mallinckrodt Program and the 2013 Mallinckrodt Program, the Group has taken restructuring actions to generate synergies from its acquisitions.

Net restructuring and related charges by segment are as follows:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Specialty Brands	$ 28.0	$ 23.3
Specialty Generics	8.5	3.4
Discontinued Operations (including Nuclear Imaging and CMDS)	—	2.3
Corporate	5.2	11.5
Restructuring and related charges, net	41.7	40.5
Less: accelerated depreciation	(6.7)	(4.9)
Restructuring charges, net	$ 35.0	$ 35.6

Net restructuring and related charges are comprised of the following:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
2016 Mallinckrodt Program	$ 41.4	$ 8.3
2013 Mallinckrodt Program	(0.7)	28.5
Acquisition programs	1.0	3.7
Total programs	41.7	40.5
Less: non-cash charges, including impairments and accelerated share based compensation expense	(6.7)	(4.9)
Total charges expected to be settled in cash	$ 35.0	$ 35.6

The following table summarizes cash activity for restructuring reserves, substantially all of which related to employee severance and benefits:

	2016 Mallinckrodt Program	2013 Mallinckrodt Program	Acquisition Programs	Total
Balance at September 25, 2015	$ —	$ 8.0	$ 10.0	$ 18.0
Charges	6.4	27.1	5.0	38.5
Changes in estimate	—	(1.7)	(1.3)	(3.0)
Cash payments	(0.2)	(20.3)	(13.2)	(33.7)
Reclassifications (1)	—	(1.3)	—	(1.3)
Balance at September 30, 2016	6.2	11.8	0.5	18.5
Charges	39.5	—	1.0	40.5
Changes in estimate	(4.8)	(0.7)	—	(5.5)
Cash payments	(26.5)	(11.1)	(0.7)	(38.3)
Reclassifications (1)	0.3	—	—	0.3
Balance at December 29, 2017	$ 14.7	$ —	$ 0.8	$ 15.5

(1) Represents the reclassification of pension and other postretirement benefits from restructuring reserves to pension and postretirement obligations.

Net restructuring and related charges, including associated asset impairments, incurred cumulative to date related to the 2016 and 2013 Mallinckrodt Programs were as follows:

	2016 Mallinckrodt Program	2013 Mallinckrodt Program
Specialty Brands	$ 32.5	$ 18.8
Specialty Generics	9.1	18.3
Discontinued Operations (including Nuclear Imaging and CMDS)	—	69.9
Corporate	9.0	17.7
	$ 50.6	$ 124.7

Substantially all of the restructuring reserves are included in provision for liabilities on the Group's consolidated balance sheets.

6. Discontinued Operations and Divestitures

Discontinued Operations

Nuclear Imaging: On January 27, 2017, the Group completed the sale of its Nuclear Imaging business to IBA Molecular ("IBAM") for approximately $690.0 million before tax impacts, including up-front considerations of approximately $574.0 million, up to $77.0 million of contingent considerations and the assumption of certain liabilities. The Group recorded a pre-tax gain on the sale of the business of $362.8 million during the fifteen months ended December 29, 2017, which excluded any potential proceeds from the contingent consideration. The following table summarizes the financial results of the Nuclear Imaging business for the following periods as presented in the consolidated profit and loss account:

	Fifteen Months Ended	Fiscal Year Ended
Major line items constituting profit from discontinued operations	**December 29, 2017**	**September 30, 2016**
Turnover	$ 131.0	$ 418.6
Cost of sales	60.3	216.6
Distribution and administrative expenses	23.8	83.2
Restructuring charges, net	—	2.3
Other	0.4	6.2
Profit from discontinued operations before taxation	46.5	110.3
Taxation charge	20.5	49.0
Profit from discontinued operations net of taxation	$ 26.0	$ 61.3

The fifteen months ended December 29, 2017 taxation charge of $20.5 million was impacted by taxation charge of $5.2 million associated with the rate difference between United Kingdom ("U.K.") and Non-U.K. jurisdictions, $6.6 million of taxation charge associated with accrued income tax liabilities and uncertain tax positions, and $0.3 million of taxation charge associated with permanently nondeductible, nontaxable, and other items. The fiscal year ended September 30, 2016 taxation charge of $49.0 million was impacted by a taxation charge of $11.7 million associated with the rate difference between U.K. and Non-U.K. jurisdictions, $14.4 million of taxation charge associated with accrued income tax liabilities and uncertain tax positions, and $0.9 million of taxation charge associated with permanently nondeductible, nontaxable, and other items. The fifteen months ended December 29, 2017 reflects $15.6 million of Non-U.K. current taxation charge and $4.9 million of Non-U.K. deferred taxation charge. Fiscal year ended September 30, 2016 reflects $0.1 million of U.K. current taxation charge, $52.5 million of Non-U.K. current taxation charge, and $3.6 million of Non-U.K. deferred taxation credit.

The following table summarizes the assets and liabilities of the Nuclear Imaging business that were included in the Group's consolidated balance sheets:

	December 29, 2017	September 30, 2016
Carrying amounts of major classes of assets:		
Debtors	$ —	$ 99.7
Stocks	—	19.0
Tangible assets	—	189.0
Financial assets	—	1.1
Total assets	$ —	$ 308.8
Carrying amounts of major classes of liabilities:		
Creditors (amounts falling due within one year)	$ —	$ 67.5
Creditors (amounts falling due after one year)	—	3.7
Provisions for liabilities	—	49.6
Total liabilities	$ —	$ 120.8

The following table summarizes significant cash and non-cash transactions of the Nuclear Imaging business that are included within the consolidated statements of cash flows for following periods:

	Fifteen Months Ended	Fiscal Year Ended
	December 29, 2017	September 30, 2016
Depreciation	$ —	$ 20.9
Capital expenditures	2.3	9.7

CMDS: On November 27, 2015, the Group completed the sale of the CMDS business to Guerbet S.A. ("Guerbet") for cash consideration of approximately $270.0 million.

Subsequent to the sale of the CMDS business, the Group continues to supply certain products under a supply agreement with Guerbet.

The following table summarizes the financial results of the CMDS discontinued operations for following periods as presented in the consolidated statements of profit and loss:

	Fifteen Months Ended	Fiscal Year Ended
Major line items constituting profit (loss) from discontinued operations	December 29, 2017	September 30, 2016
Turnover	$ —	$ 61.0
Cost of sales	—	46.9
Distribution and administrative expenses	—	20.3
Other	—	1.2
Loss from discontinued operations	—	(7.4)
Profit on disposal of discontinued operations	—	95.3
Profit from discontinued operations before taxation	—	87.9
Taxation credit	—	(2.5)
Profit from discontinued operations net of taxation	$ —	$ 90.4

The fiscal year ended September 30, 2016 taxation credit of $2.5 million was impacted by a $0.4 million credit related to adjust the fiscal year ended September 25, 2015 accrual for taxes paid in connection with the $95.3 million gain on the disposition and a $2.1 million credit related to the $7.4 million loss from discontinued operations. Fiscal year ended September 30, 2016 reflects $0.9 million of Non-U.K. current taxation charge, $3.4 million of Non-U.K. deferred taxation credit, and none being allocable to the U.K. taxation.

The following table summarizes significant cash and non-cash transactions of the CMDS business that are included within the consolidated statements of cash flows for the following periods:

	Fifteen Months Ended	Fiscal Year Ended
	December 29, 2017	September 30, 2016
Depreciation	$ —	$ —
Capital expenditures	—	1.6

Mallinckrodt Baker: During fiscal 2010, the Specialty Chemicals business (formerly known as Mallinckrodt Baker) was sold because its products and customer bases were not aligned with the Group's long-term strategic objectives. This business met the discontinued operations criteria and, accordingly, was included in discontinued operations for all periods presented. During the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, the Group recorded an immaterial loss, net of tax, and a gain, net of tax, of $3.0 million, respectively. These losses were primarily related to indemnification obligations to the purchaser, which are discussed in Note 26.

Divestitures

On March 17, 2017, the Group completed its sale of its Intrathecal Therapy business to Piramal Enterprises Limited's subsidiary in the U.K., Piramal Critical Care ("Piramal"), for approximately $203.0 million, including fixed consideration of $171.0 million and contingent consideration of up to $32.0 million. The $171.0 million of fixed consideration consisted of $17.0 million received at closing and a $154.0 million note receivable that is due one year from the transaction closing date. The Group recorded a pre-tax gain on the sale of the business of $56.6 million during the fifteen months ended December 29, 2017, which excluded any potential proceeds from the contingent consideration and reflects a post-sale working capital adjustment. The financial results of the Intrathecal Therapy business are presented within continuing operations as this divestiture did not meet the criteria for discontinued operations classification.

As part of the divestiture and calculation of the gain, the Group wrote off intangible assets of $48.7 million and goodwill of $49.8 million, from the Specialty Brands segment, ascribed to the Intrathecal Therapy business. The Group is committed to reimburse up to $7.3 million of product development expenses incurred by Piramal, of which $6.5 million remains on the consolidated balance sheet as of December 29, 2017. The remaining items included in the gain calculation are attributable to inventory transferred and transaction costs incurred by the Group.

7. Acquisitions and License Agreements

Business Acquisitions

Ocera Therapeutics, Inc.

On December 11, 2017, the Group acquired Ocera Therapeutics, Inc. ("Ocera") for upfront consideration of approximately $42.4 million, of which $1.9 million of the consideration was paid subsequent to December 29, 2017, and contingent consideration up to $75.0 million based on the successful completion of certain development and turnover milestones ("the Ocera Acquisition"). Ocera is a clinical stage biopharmaceutical company focused on the development and commercialization of novel therapeutics for orphan and other serious liver diseases with a high unmet medical need. Ocera's developmental product MNK-6105 (previously OCR-002), an ammonia scavenger, is being studied for treatment of hepatic encephalopathy, a neuropsychiatric syndrome associated with hyperammonemia, a complication of acute or chronic liver disease. The Ocera Acquisition was funded with cash on hand.

InfaCare Pharmaceutical Corporation

On September 25, 2017, the Group acquired InfaCare Pharmaceutical Corporation ("InfaCare") in a transaction valued at approximately $80.4 million, with additional payments of up to $345.0 million dependent on regulatory and turnover milestones ("the InfaCare Acquisition"). Consideration for the transaction consisted of approximately $37.2 million in cash paid to the prior shareholders of InfaCare and the assumption of approximately $43.2 million of debt and other liabilities, which was repaid in conjunction with the InfaCare Acquisition. InfaCare is focused on development and commercialization of proprietary pharmaceuticals for neonatal and pediatric patient populations. InfaCare's developmental product stannsoporfin, a heme oxygenase inhibitor, is under investigation for its potential to reduce the production of bilirubin, the elevation of which can contribute to serious consequences in infants. The InfaCare Acquisition was funded with cash on hand.

Stratatech Corporation

On August 31, 2016, the Group acquired a developmental program from Stratatech Corporation - which includes StrataGraft®, a regenerative skin tissue and a technology platform for genetically enhanced skin tissues - for upfront consideration of $76.0 million, and contingent milestone payments, which are primarily regulatory, and royalty obligations that could result in up to $121.0 million of additional consideration ("the Stratatech Acquisition"). Stratatech is a regenerative medicine company focused on the development of unique, proprietary skin substitute products. Developmental products include StrataGraft® regenerative skin tissue ("StrataGraft") and a technology platform for genetically enhanced skin tissues. The Stratatech Acquisition was funded through cash on hand.

Hemostasis Products

On February 1, 2016, the Group acquired three commercial stage topical hemostasis drugs from The Medicines Company ("the Hemostasis Acquisition") - RECOTHROM® Thrombin topical (Recombinant) ("Recothrom"), PreveLeak™ Surgical Sealant ("PreveLeak"), and RAPLIXA™ (Fibrin Sealant (Human)) ("Raplixa") - for upfront consideration of $173.5 million, inclusive of existing inventory, and contingent turnover based milestone payments that could result in up to $395.0 million of additional consideration. The Hemostasis Acquisition was funded through cash on hand. As the Group shifts its focus to the critical care, autoimmune and rare disease spaces, it has entered into a transaction to sell the Recothrom and PreveLeak assets and is currently evaluating strategic options for Raplixa. See further discussion in Notes 16, 28 and 31 to the consolidated financial statements.

Fair Value Allocation

The following amounts represent the preliminary allocation of the fair value of the identifiable assets acquired and liabilities assumed for the above acquisitions:

	Ocera	InfaCare	Stratatech	Hemostasis
	December 2017	September 2017	August 2016	February 2016
Cash	$ 1.0	$ 1.3	$ 0.2	$ 3.3
Stocks	—	—	—	94.6
Intangible assets	64.5	113.5	99.8	132.7
Goodwill (non-tax deductible)	25.1	11.4	55.1	3.3
Other assets, current and non-current (1)	0.4	0.1	3.2	7.9
Total assets acquired	91.0	126.3	158.3	241.8
Current liabilities	14.5	14.5	4.3	3.6
Other liabilities (non-current)	—	—	—	10.6
Deferred taxation liabilities, net (non-current)	23.2	8.7	22.1	2.1
Contingent consideration (non-current)	12.8	35.0	54.9	52.0
Total debt	—	30.0	1.0	—
Total liabilities assumed	50.5	88.2	82.3	68.3
Net assets acquired	$ 40.5	$ 38.1	$ 76.0	$ 173.5

(1) This amount includes zero trade debtors for the Ocera Acquisition, InfaCare Acquisition and Hemostasis Acquisition, respectively, and $1.3 million for the Stratatech Acquisition, which is also the gross contractual value.

The following reconciles the total consideration to net assets acquired:

	Ocera	InfaCare	Stratatech	Hemostasis
Total consideration, net of cash	$ 63.4	$ 71.8	$ 130.7	$ 222.2
Plus: cash assumed in acquisition	1.0	1.3	0.2	3.3
Total consideration	64.4	73.1	130.9	225.5
Less: unpaid purchase consideration	(1.9)	—	—	—
Less: non-cash contingent consideration	(22.0)	(35.0)	(54.9)	(52.0)
Net assets acquired	$ 40.5	$ 38.1	$ 76.0	$ 173.5

Intangible assets acquired consist of the following:

Acquisition	Intangible Asset Acquired	Amount	Amortization Period	Discount Rate
Ocera	In-process research and development - MNK-6105	$ 64.5	Non-Amortizable	15.5%
InfaCare	In-process research and development - stannsoporfin	113.5	Non-Amortizable	13.5%
Stratatech	In-process research and development - StrataGraft	99.8	Non-Amortizable	16.5%
Hemostasis	Completed technology - Raplixa[(1)]	73.0	15 years	17.0%
Hemostasis	Completed technology - Recothrom[(2)]	42.7	13 years	16.0%
Hemostasis	Completed technology - PreveLeak[(2)]	17.0	13 years	17.0%

(1) During the fifteen month ended December 29, 2017, the Group recorded a non-restructuring impairment charge relating to the Raplixa intangible asset. Refer to Note 16 for further information.

(2) The sale of the Recothrom and PreveLeak assets to Baxter International, Inc. was completed on March 16, 2018. Refer to Note 31 for further information.

The fair value of the intangible assets were determined using the income approach. The fair value of the IPR&D, completed technology and trademark was determined using the income approach, which is a valuation technique that provides an estimate of fair value of the assets based on the market participant expectations of cash flows the asset would generate. The discount rates were developed after assigning a probability of success to achieving the projected cash flows based on the current stage of development, inherent uncertainty in the FDA approval process and risks associated with commercialization of a new product. Based on the Group's preliminary estimate, the excess of purchase price over net tangible and intangible assets acquired resulted in goodwill, which represents future product development, the assembled workforce, and the tax status of the transaction. The goodwill is not deductible for U.S. income tax purposes. All assets acquired are included within the Group's Specialty Brands segment.

Financial Results - There was no turnover or intangible asset amortization incurred for the businesses acquired during the fifteen months ended December 29, 2017 or fiscal year ended September 30, 2016. The losses included in the Group's results for the periods presented were as follows:

	Fifteen Months Ended	Fiscal Year Ended
Operating loss	**December 29, 2017**	**September 30, 2016**
Ocera	$ (0.4)	$ —
InfaCare	(5.4)	—
	$ (5.8)	$ —

During the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, the Group recognized $13.7 million and $24.3 million, respectively, of expense primarily associated with fair value adjustments of acquired inventory. This expense was included within cost of sales.

Acquisition-Related Costs - Acquisition-related costs incurred for each of the acquisitions discussed above were as follows:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Ocera	$ 0.9	$ —
Xenon Licensing Agreement	0.1	—
InfaCare	1.2	—
Stratatech	—	3.7
Hemostasis Products	0.1	2.7
	$ 2.3	$ 6.4

License Agreements

Xenon Gas for Inhalation

In October 2017, the Group entered into a licensing agreement for development and commercialization of NeuroproteXeon Inc.'s ("NeuroproteXeon" and "the Xenon Licensing Agreement") investigational, pharmaceutical-grade xenon gas for inhalation therapy being evaluated to improve survival and functional outcomes for patients resuscitated after a cardiac arrest. If approved, xenon gas for inhalation will expand the Group's portfolio of hospital drug-device combination products providing therapies for critically ill patients. The Group paid $10.0 million upfront with cash on hand to reimburse NeuroproteXeon for certain product development costs, and gained exclusive rights to commercialize the therapy, if approved, in the U.S., Canada, Japan and Australia. The Xenon Licensing Agreement includes additional payments of up to $25.0 million dependent on developmental, regulatory and turnover milestones. In addition, NeuroproteXeon will receive tiered royalties on applicable worldwide turnover and a transfer price for commercial product supply. NeuroproteXeon will continue to be responsible for the cost of development and will manage the development of the product in collaboration with the Group. The initial $10.0 million upfront cash payment was recorded within R&D expense during the fifteen months ended December 29, 2017. Of the $25.0 million additional payments, certain payments may be expensed as R&D, cost of sales, or capitalized as an intangible asset dependent upon the successful completion of certain milestone events.

Mesoblast

In January 2017, $21.5 million of consideration was remitted to Mesoblast Limited ("Mesoblast") in exchange for equity shares and rights to a nine month exclusivity period related to any potential commercial and development agreements the Group may enter into for Mesoblast's therapy products used to treat acute graft versus host disease and/or chronic low back pain. As a result of this transaction the Group recorded an available for sale investment of $19.7 million included within debtors falling due within one year and an intangible asset of $1.8 million in the consolidated balance sheet. This intangible asset was fully amortized as of December 29, 2017 as the nine month exclusivity period had ended.

Ofirmev

As part of the acquisition of Cadence Pharmaceuticals, Inc. ("Cadence" or "Cadence Acquisition") in March 2014, the Group acquired exclusive development and commercialization rights to Ofirmev in the U.S. and Canada, as well as the rights to the patents and technology, which were originally in-licensed by Cadence from Bristol-Myers Squibb Company ("BMS") in March 2006. BMS sublicensed these rights to Cadence under a license agreement with SCR Pharmatop S.A. ("Pharmatop"), and the Group has the right to grant sublicenses to third parties. Under this license agreement, the Group may be obligated to make future milestone payments of up to $25.0 million upon the achievement of certain levels of turnover, of which $10.0 million was paid during fiscal year ended September 25, 2015. In addition, the Group is obligated to pay royalties on turnover of the product. During the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, the Group paid royalties of $68.6 million and $46.3 million respectively.

8. Interest Payable and Similar Charges

Interest payable and similar charges were comprised of:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Interest on debt repayable within five years, otherwise than by installment	$ 129.4	$ 57.2
Interest on debt repayable beyond five years, otherwise than by installment	134.3	160.3
Interest on debt repayable within five years, by installment	—	69.9
Interest on debt repayable beyond five years, by installment	91.1	—
Amortization of debt issue costs	21.7	20.2
Capitalized interest	(8.0)	(3.0)
Other [(1)]	91.9	80.0
Interest payable and similar charges	$ 460.4	$ 384.6

(1) Includes other non-cash interest and Section 453a interest.

9. Taxation

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA" or "U.S. Tax Reform"). The TCJA makes broad and complex changes to the U.S. tax code, the effects of which have been incorporated into the Group's fifteen months ended December 29, 2017 provision for income taxes, as applicable. The TCJA provisions effective within 2017, include, but are not limited to (1) requiring a one-time transition tax on certain undistributed earnings of the Group's foreign subsidiaries of U.S. entities, (2) bonus depreciation that will allow for full expensing of qualified property, and (3) reducing the U.S. federal corporate statutory tax rate from 35% to 21%. The TCJA also establishes new tax laws that will affect fiscal 2018, including, but not limited to (1) elimination of the corporate alternative minimum tax, (2) creation of the base erosion anti-abuse tax, a new minimum tax, (3) a general elimination of U.S. federal income taxes on dividends from non-U.S. subsidiaries, (4) a new provision designed to tax global intangible low-taxed income, which allows for the possibility of using foreign tax credits and a deduction of up to 50% to offset the income tax liability, (5) tightening the limitation on deductible interest expense, (6) limitations on net operating losses generated after December 31, 2017 to 80% of taxable income, and (7) reductions to the amount of the orphan drug research credit generated after December 31, 2017.

Accounting Standards Codification ("ASC") Topic 740, Income Taxes ("ASC 740"), requires companies to recognize the effects of tax law changes in the period of enactment, which for Mallinckrodt is the fourth quarter of 2017, even though the effective date of most provisions of TCJA is January 1, 2018. The SEC staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the tax effects of the TCJA. SAB 118 provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the TCJA for which the accounting is complete. To the extent that a company's accounting for certain income tax effects of the TCJA is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. If a company cannot determine a provisional estimate to be included in the financial statements, it should continue to apply ASC 740 on the basis of the provisions of the tax laws that were in effect immediately before the enactment of the TCJA.

In connection with the Group's initial analysis of the impact of the TCJA, a discrete net tax benefit of $456.9 million was recognized in the fifteen months ended December 29, 2017, primarily for the adjustment of the Group's U.S. net deferred income tax liabilities for the reduction of the U.S. federal corporate statutory tax rate to 21%. For various reasons that are discussed more fully below, the Group has not yet completed its accounting for the income tax effects of certain elements of the TCJA and therefore a reasonable estimate of such impact has been provided.

The TCJA reduces the U.S. federal corporate tax rate to 21%, effective January 1, 2018. For the Group's U.S. net deferred income tax liabilities a provisional decrease of $444.8 million was recognized resulting in a corresponding deferred income tax benefit in the fifteen months ended December 29, 2017. While the Group is able to make a reasonable estimate of the impact of the reduction in the U.S. federal corporate statutory tax rate, it may be affected by other analyses related to the TCJA, including, but not limited to, having a U.S. tax return year that straddles the effective date of the statutory rate change and that is different than the Group's financial statement year, the calculation of deemed repatriation of deferred foreign income, and the state tax effect of adjustments made to federal temporary differences.

The one-time transition tax under the TCJA on certain of the Group's subsidiaries is a tax on previously untaxed cumulative undistributed earnings. To determine the amount of such tax, the Group must determine, in addition to other factors, the amount of post-1986 cumulative undistributed earnings of the relevant subsidiaries, the amount of non-U.S. income taxes paid on such earnings, and the application of the law and interpretative guidance to the Group's global legal entity structure. While the Group currently estimates this item will not result in any current or future tax, additional information will continue to be gathered to finalize this conclusion.

Because of the complexity and uncertainties of the new global intangible low-taxed income rules, the Group continues to evaluate this portion of the TCJA and the application of ASC 740. Under GAAP, the Group is allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to global intangible low-taxed income as a current-period expense when incurred or (2) factoring such amounts into a company's measurement of its deferred taxes. The Group's selection of an accounting policy with respect to these new tax rules will depend on whether it expects to have future U.S. inclusions in taxable income related to global intangible low-taxed income and, if so, what the tax impact is expected to be. Whether the Group expects to have future U.S. inclusions in taxable income depends on not only the Group's current structure and estimated future results of global operations but also its intent and ability to modify its structure and/or business. While the Group estimates these rules will not have a material tax impact, it is not yet able to finalize the effect of this portion of the TCJA. Therefore, the Group has not made any adjustments related to this item in its consolidated financial statements and has not made a policy decision regarding whether to record deferred taxes on global intangible low-taxed income.

Finally, the Group must assess whether its valuation allowance analyses are affected by the various aspects of the TCJA. Since, as discussed herein, the Group has recorded provisional amounts related to certain portions of the TCJA, any corresponding determination of the need for or change in a valuation allowance is also provisional.

The U.K. and non-U.K. components of income before income taxation were as follows:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Domestic	$ (263.2)	$ (275.0)
International	535.8	616.1
	$ 272.6	$ 341.1

Significant components of taxation related to ordinary activities were as follows:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Current:		
U.K.	$ 0.4	$ 0.4
Non-U.K. (1)	135.2	171.8
Current taxation charge	135.6	172.2
Deferred:		
U.K.	—	0.7
Non-U.K.	(1,909.6)	(421.8)
Deferred taxation (credit)	(1,909.6)	(421.1)
	$ (1,774.0)	$ (248.9)

(1) Non-U.K. taxation includes $3.9 million of taxation charge and $5.9 million of taxation credit, of Irish corporation taxation charges for the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, respectively.

The fifteen months ended December 29, 2017 U.K. current taxation charge reflects a taxation credit of $14.3 million from utilization of net operating losses. The U.K. net operating loss utilization relates to net operating losses carried forward from the fiscal year ended September 30, 2016. The fifteen months ended December 29, 2017 non-U.K. current taxation charge reflects a taxation credit of $57.5 million from utilization of net operating losses and $7.6 million of U.S. credits. In addition, the non-U.K. current taxation charge includes a tax credit of $27.2 million related to carryback claims filed during the fifteen months ended December 29, 2017. The non-U.K. net operating loss utilization relates to net operating losses carried forward from fiscal year ended September 30, 2016. The U.S. credit utilization is comprised of credits carried forward from fiscal year ended September 30, 2016 and generated during the fifteen months ended December 29, 2017.

The fiscal year ended September 30, 2016 U.K. current taxation charge reflects a taxation credit of $1.0 million from utilization of net operating losses. The U.K. net operating loss utilization is comprised of net operating losses carried forward from fiscal year ended September 25, 2015. The fiscal year ended September 30, 2016 non-U.K. current taxation charge reflects a taxation credit of $29.2 million from utilization of net operating losses and $9.5 million of U.S. credits. The non-U.K. net operating loss utilization is comprised of $17.9 million of net operating losses acquired in conjunction with the Hemostasis Acquisition and the remainder of the utilization relates to net operating losses carried forward from fiscal year ended September 25, 2015. The U.S. credit utilization is comprised of credits carried forward from fiscal year ended September 25, 2015 and generated during fiscal year ended September 30, 2016.

During the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016 net cash payments for income taxes were $169.0 million and $165.4 million, respectively.

The Group has a provincial tax holiday in Canada that expires on April 1, 2027. The tax holiday reduced non-U.K. taxation charge by $1.8 million and $1.0 million for the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, respectively.

The reconciliation between Domestic taxation at the statutory rate and the Group's taxation on ordinary activities is as follows:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Taxation charge at U.K. statutory taxation rate (1)	$ 51.8	$ 68.2
Adjustments to reconcile to taxation charge:		
Rate difference between U.K. and non-U.K. jurisdictions (2)	(391.3)	(285.6)
Valuation allowances, nonrecurring	(3.7)	2.1
Adjustments to accrued taxation liabilities and uncertain tax positions	10.3	(2.6)
Interest and penalties on accrued taxation liabilities and uncertain tax positions	—	(16.4)
Investment in partnership	(12.7)	—
Credits, principally research and orphan drug (3)	(14.9)	(33.7)
Impairments, nondeductible	75.3	—
Permanently nondeductible and nontaxable items	8.8	17.0
Release of disproportionate tax effects lodged in OCI	(2.4)	—
Divestiture of Intrathecal Therapy business	18.2	—
U.S. Tax Reform (4)	(456.9)	—
Legal Entity Reorganization (5)	(1,054.8)	—
Other	(1.7)	2.1
Taxation credit	$ (1,774.0)	$ (248.9)

(1) The statutory tax rate reflects the U.K. statutory tax rate of 19% for the fifteen months ended December 29, 2017 and 20% for the fiscal year ended September 30, 2016.
(2) Includes the impact of certain recurring valuation allowances for U.K. and non-U.K. jurisdictions.
(3) During the fiscal year ended September 30, 2016, the Group realized a tax benefit of $27.4 million resulting from a U.K. tax credit on a dividend between affiliates.
(4) Reflects redetermination of the Group's net deferred taxation liabilities as a result of the new U.S. statutory income tax rate of 21% at the date of enactment. Other line items, to the extent U.S. related, are reflected at the former U.S. statutory income tax rate of 35%.
(5) Associated unrecognized tax benefit netted within this line.

The rate difference between U.K. and non-U.K. jurisdictions changed from $285.6 million of taxation credit to $391.3 million of taxation credit for fiscal year ended September 30, 2016 to the fifteen months ended December 29, 2017, respectively. The $105.7 million increase in the taxation credit included a $69.9 million increase attributed to the sale of the Nuclear Imaging business during the fifteen months ended December 29, 2017, a $69.6 million increase attributed to the inclusion of an additional three month period in the fifteen months ended December 29, 2017 as compared to the fiscal year ended September 30, 2016, a $34.5 million increase attributed to a $207.0 million goodwill impairment in the Specialty Generics segment during the fifteen months ended December 29, 2017, and a $30.8 million increase attributed to changes in operating income and termination and settlement of the Group's funded U.S. pension plan during the fifteen months ended

December 29, 2017; partially offset by a $37.6 million decrease primarily attributed to the divestiture of the Intrathecal Therapy business and the planned divestiture of the PreveLeak and Recothrom assets and fiscal year ended September 30, 2016 one-time items that did not recur during the fifteen months ended December 29, 2017, a $30.1 million decrease attributed to the sale of the CMDS business during fiscal 2016, a $16.2 million decrease attributed to a $102.0 million settlement with the Federal Trade Commission during fiscal year ended September 30, 2016, and a $15.2 million decrease associated with the impact of U.S. Tax Reform on a U.S. tax return year that straddles the effective date of the statutory rate change.

During the fifteen months ended December 29, 2017, the Group completed a reorganization of its legal entity ownership ("the Reorganization") to align with its ongoing transformation to become an innovation-driven specialty pharmaceuticals growth company. Many factors were considered in effecting the Reorganization, including streamlining treasury functions, simplifying legal entity reporting processes, and capital allocation efficiencies. Given this Reorganization, the Internal Revenue Code required the Group to reallocate its tax basis from an investment in shares of a wholly-owned subsidiary to assets within another legal entity with no corresponding change in accounting basis. A deferred tax liability was not recognized on the wholly-owned subsidiary as there is a means for its recovery in a tax-free manner. The reallocation of tax basis resulted in a decrease to the net deferred tax liabilities associated with the assets within the other legal entity. As a result, during the fifteen months ended December 29, 2017, the Group recognized an income tax benefit, net of unrecognized tax benefits, of $1,054.8 million primarily as a result of a reduction to its net deferred tax liabilities.

The following table summarizes the activity related to the Group's unrecognized tax benefits, excluding interest:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Balance at beginning of fiscal year	$ 114.8	$ 89.2
Additions related to current year tax positions	84.9	63.8
Additions related to prior period tax positions	0.3	10.8
Reductions related to prior period tax positions	(14.7)	(37.8)
Reductions related to disposition transactions	—	(6.6)
Settlements	—	(2.6)
Lapse of statute of limitations	(2.8)	(2.0)
Balance at end of fiscal year	$ 182.5	$ 114.8

Unrecognized tax benefits, excluding interest were reported in the following consolidated balance sheet captions in the amount shown:

	December 29, 2017	September 30, 2016
Creditors (amounts falling due within one year)	$ 1.5	$ —
Creditors (amounts falling due after more than one year)	82.6	55.4
Other reserves	98.4	59.4
	$ 182.5	$ 114.8

Included within total unrecognized tax benefits at December 29, 2017 and September 30, 2016 were $180.8 million and $113.1 million, respectively, of unrecognized tax benefits, which if favorably settled would benefit the effective tax rate. The remaining unrecognized tax benefits for each period would be offset by the write-off of related deferred and other tax assets, if recognized. During the fifteen months ended December 29, 2017, the Group recorded $2.6 million of additional interest through taxation and acquisition accounting and decreased interest $2.7 million related to prior periods. During fiscal year ended September 30, 2016, the Group accrued additional interest of $4.1 million. The total amount of accrued interest related to uncertain tax positions was $7.1 million and $7.2 million, during the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, respectively.

It is reasonably possible that within the next twelve months, as a result of the resolution of various U.K. and non-U.K. examinations and appeals and the expiration of various statutes of limitation, that the unrecognized tax benefits could decrease by up to $38.4 million. Interest and penalties could decrease by up to $4.9 million.

Taxation payable, including uncertain tax positions and related interest accruals, was reported in the following consolidated balance sheet captions in the amounts shown.

	December 29, 2017	September 30, 2016
Creditors (amounts falling due within one year)	$ 15.8	$ 124.0
Creditors (amounts falling due after more than one year)	94.1	67.7
	$ 109.9	$ 191.7

Tax items inherent in other assets decreased from $86.6 million at September 30, 2016 to zero as of December 29, 2017. The $86.6 million decrease was related to a $67.2 million decrease from the early adoption of ASU 2016-16 which moved capitalized tax payments associated with non-current deferred intercompany transactions to retained earnings and a $19.4 million decrease primarily from the sale of the Nuclear Imaging business. Tax items inherent in debtors falling due within one year decreased from $54.0 million at September 30, 2016 to $6.1 million as of December 29, 2017. The $47.9 million decrease was primarily due to the receipt of a $25.4 million U.K. tax credit receivable and a $7.8 million decrease related to the early adoption of ASU 2016-16. Debtors falling due within one year includes $4.2 million and $44.0 million of receivables associated with tax payments on account with the taxing authorities and tax payments of $1.9 million and $10.0 million associated with current deferred intercompany transactions at December 29, 2017 and September 30, 2016, respectively.

	December 29, 2017	September 30, 2016
Debtors falling due within one year	$ 6.1	$ 54.0
Debtors falling due after more than one year	—	86.6
	$ 6.1	$ 140.6

With a few exceptions, as of December 29, 2017, the earliest open year for U.S. federal and state tax jurisdictions is 2010 and 2009, respectively. Additionally, a number of tax periods from 2013 to present are subject to examination by tax authorities in various jurisdictions, including Ireland, Luxembourg, Switzerland, and the U.K.

Deferred taxation results from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of deferred taxation at the end of each period were as follows:

	December 29, 2017	September 30, 2016
Deferred tax assets:		
Accrued liabilities and reserves	$ 62.7	$ 117.6
Stocks	22.3	36.3
Tax loss and credit carryforwards	1,734.5	332.5
Environmental liabilities	17.0	28.6
Rebate reserves	1.6	48.8
Expired product	7.5	12.2
Postretirement benefits	14.0	47.4
Federal and state benefit of uncertain tax positions and interest	11.3	17.4
Share-based compensation	23.6	23.8
Intangible assets	575.1	341.8
Other	16.0	18.6
	2,485.6	1,025.0
Deferred tax liabilities:		
Tangible assets	(47.0)	(123.2)
Intangible assets	(181.0)	(775.0)
Interest-bearing deferred tax obligation	(553.5)	(1,883.7)
Investment in partnership	(108.8)	(186.0)
Other	—	(19.2)
	(890.3)	(2,987.1)
Deferred taxation before valuation allowances	1,595.3	(1,962.1)
Valuation allowances	(2,267.9)	(564.9)
Deferred taxation	$ (672.6)	$ (2,527.0)

The deferred tax asset valuation allowances of $2,267.9 million and $564.9 million at December 29, 2017 and September 30, 2016, respectively, relate primarily to the uncertainty of the utilization of certain deferred tax assets, driven by non-U.K. net operating losses, credits and intangible assets. The Group believes that it will generate sufficient future taxable income to realize the tax benefits related to the remaining net deferred tax assets. The increase in tax loss and credit carryforwards and valuation allowances are primarily related to statutory deductions associated with the impairment of the Generics operating segment and internal transactions.

Deferred taxation activity for the fifteen months ended December 29, 2017 was as follows:

At September 30, 2016	$	(2,527.0)
Provisions		1,910.1
Acquisitions		(29.7)
Currency translation and other		(26.0)
At December 29, 2017	$	(672.6)

Deferred taxation was reported in the following consolidated balance sheet captions in the amounts shown:

	December 29, 2017		September 30, 2016	
Debtors (due within one year)	$	—	$	—
Debtors (due after more than one year)		16.4		24.8
Provision for liabilities		(689.0)		(2,551.8)
	$	(672.6)	$	(2,527.0)

Non-current deferred tax liability decreased from $2,551.8 million at September 30, 2016 to $689.0 million at December 29, 2017, primarily due to $1,122.3 million of decreases associated with the Reorganization, $444.8 million of decreases associated with the TCJA's reduction of the U.S. federal corporate statutory tax rate from 35% to 21%, $354.6 million of decreases associated with the payment of internal installment sale obligations, $51.6 million of decreases associated with net operating losses and $77.3 million of decreases associated with the amortization of intangibles. These decreases are partially offset by $47.0 million of increases related to reductions of deferred tax assets associated with rebate reserves, $38.9 million of increases related to the divestiture of the Intrathecal Therapy business, $37.5 million of increases related to reductions of deferred tax assets associated with legal settlements, $29.7 million of increases related to recent acquisitions, $29.6 million of increases related to reductions of deferred tax assets associated with the termination and settlement of the Group's funded U.S. pension plans and $5.1 million of net increases related to operational activity.

The Group refined its acquisition accounting estimate associated with the measurement of its acquired Stratatech net deferred tax liabilities in the fifteen months ended December 29, 2017, resulting in a decrease to the acquired net deferred tax liabilities from $24.3 million to $22.1 million prior to recording the impact from the TCJA.

The InfaCare Acquisition resulted in a net deferred tax liability increase of $8.7 million prior to recording the impact from the TCJA. Significant components of this include $13.8 million of net deferred tax liabilities associated with intangibles partially offset by $4.7 million of deferred tax assets associated with non-U.K. net operating losses.

The Ocera Acquisition resulted in a net deferred tax liability increase of $23.2 million prior to recording the impact from the TCJA, which is primarily associated with intangibles.

The divestiture of the Intrathecal Therapy business was completed on March 17, 2017. This divestiture resulted in a net deferred tax liability increase of $38.9 million prior to recording the impact from the TCJA. Significant components of this increase include an increase of $56.4 million of deferred tax liability associated with future consideration, a decrease of $2.3 million of deferred tax asset associated with net operating losses, a decrease of $16.6 million of deferred tax liability associated with intangibles, an increase of $2.7 million of deferred tax asset associated with committed product development, and an increase of $0.5 million of other net deferred tax assets.

At December 29, 2017, the Group had approximately $1,604.0 million of net operating loss carryforwards in certain non-U.K. jurisdictions measured at the applicable statutory rates, of which $1,489.9 million have no expiration and the remaining $114.1 million will expire in future years through 2038. As a result of the TCJA, the Group's Non-U.K. net operating losses decreased by $6.2 million. The Group had $106.4 million of U.K. net operating loss carryforwards measured at the applicable statutory rates at December 29, 2017, which have no expiration date.

At December 29, 2017 the Group also had $24.1 million of tax credits available to reduce future income taxes payable, primarily in jurisdictions within the U.S., of which $2.4 million have no expiration and the remainder expire during fiscal 2017 through 2038.

As of December 29, 2017, there are no remaining cumulative undistributed earnings of the Group's subsidiaries that may be subject to tax. The net decrease in such undistributed earnings was attributable to the removal of the earnings for the entities reclassified to discontinued operations, undistributed earnings associated with income and losses attributed to the current year activity, and a reduction of the remaining cumulative undistributed earnings pursuant to the TCJA. The Group has preliminarily evaluated the impact of the TCJA with respect to the one-time tax imposed upon the deemed repatriation of undistributed earnings and estimated that no tax will be imposed upon the Group under such provisions.

During the fifteen months ended December 29, 2017, the Group early adopted ASU 2016-16 utilizing the modified retrospective basis adoption method, with a cumulative-effect adjustment directly to retained earnings as of the beginning of January 2017 for $75.0 million with an offsetting decrease of $67.2 million to debtors falling due after more than one year and a $7.8 million decrease to debtors falling due within one year on its consolidated balance sheets. The prior periods were not restated.

During the fifteen months ended December 29, 2017, the Group adopted ASU 2016-09 and recorded an adjustment to profit and loss account of $2.9 million to recognize net operating loss carryforwards, net of a valuation allowance, attributable to excess tax benefits on stock compensation that had not been previously recognized in additional paid-in capital.

10. Earnings per Ordinary Share

Basic earnings per share is computed by dividing profit after taxation by the number of weighted-average shares outstanding during the period. Diluted earnings per share was computed using the weighted-average shares outstanding and, if dilutive, potential ordinary shares outstanding during the period. Potential ordinary shares represent the incremental ordinary shares issuable for restricted share units and share option exercises. The Group calculated the dilutive effect of outstanding restricted share units and share options on earnings per share by application of the treasury stock method.

Dilutive securities, including participating securities, are not included in the computation of loss per share when the Group reports a net loss from continuing operations as the impact would be anti-dilutive.

	Fifteen Months Ended December 29, 2017		Fiscal Year Ended September 30, 2016	
Earnings per share numerator:				
Profit from ordinary operations attributable to common shareholders before allocation of earnings to participating securities	$	1,659.8	$	435.3
Less: earnings allocated to participating securities		—		—
Profit from ordinary operations attributable to common shareholders, after earnings allocated to participating securities		1,659.8		435.3
Profit from discontinued operations		386.8		154.7
Less: earnings from discontinued operations allocated to participating securities		—		—
Profit from discontinued operations attributable to common shareholders, after allocation of earnings to participating securities		386.8		154.7
Profit attributable to common shareholders, after allocation of earnings to participating securities	$	2,046.6	$	590.0
Earnings per share denominator:				
Weighted-average shares outstanding - basic		99.3		110.6
Impact of dilutive securities		0.4		0.9
Weighted-average shares outstanding - diluted		99.7		111.5
Basic earnings per share attributable to common shareholders:				
Profit from ordinary activities	$	16.72	$	3.94
Profit from discontinued operations		3.90		1.40
Profit attributable to common shareholders	$	20.61	$	5.33
Diluted earnings per share attributable to common shareholders:				
Profit from ordinary activities	$	16.65	$	3.90
Profit from discontinued operations		3.88		1.39
Profit attributable to common shareholders	$	20.53	$	5.29

The computation of diluted earnings per share for the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016 excludes approximately 4.2 million and 1.7 million, respectively, of equity awards because the effect would have been anti-dilutive.

11. Share Plans

Total share-based compensation cost was $70.2 million and $42.9 million for the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively. These amounts are generally included within D&A expenses in the profit and loss account. The Group recognized a related tax benefit associated with this expense of $14.9 million and $13.6 million during the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively. During the fifteen months ended December 29, 2017, the $14.9 million tax benefit was comprised of $19.9 million associated with amortization and net stock exercises, partially offset by $5.0 million associated with U.S. Tax Reform re-measurement.

Stock Compensation Plans

Prior to the legal separation of the Group from Covidien plc ("Covidien") on June 23, 2013 ("the Separation"), the Group adopted the 2013 Mallinckrodt Pharmaceuticals Stock and Incentive Plan ("the 2013 Plan"). The 2013 Plan provides for the award of share options, share appreciation rights, annual performance bonuses, long-term performance awards, restricted units, restricted shares, deferred share units, promissory shares and other share-based awards (collectively, "Awards"). The 2013 Plan provided for a maximum of 5.7 million ordinary shares to be issued as Awards, subject to adjustment as provided under the terms of the 2013 Plan. During the fiscal year ended September 25, 2015, the Group amended the 2013 Plan and adopted the 2015 Mallinckrodt Pharmaceuticals Stock and Incentive Plan ("the 2015 Plan"). The 2015 Plan provides for a maximum of 17.8 million common shares to be issued as Awards (an incremental 12.1 million Awards from the 2013 Plan are subject to issuance), subject to adjustment as provided under the terms of the 2015 Plan. As of December 29, 2017, all equity awards held by the Group's employees were either converted from Covidien equity awards at the Separation, converted from Questcor equity awards, or granted under the 2013 Plan or 2015 Plan.

Share options. Share options are granted to purchase the Group's ordinary shares at prices that are equal to the fair market value of the shares on the date the share option is granted. Share options generally vest in equal annual installments over a period of four years and expire ten years after the date of grant. The grant-date fair value of share options, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period. Forfeitures are estimated based on historical experience.

Share option activity and information was as follows:

	Share Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at September 25, 2015	2,786,443	$ 52.76		
Granted	1,248,828	72.44		
Exercised	(413,830)	32.76		
Expired/Forfeited	(199,585)	72.65		
Outstanding at September 30, 2016	3,421,856	61.17		
Granted	1,723,274	51.59		
Exercised	(129,987)	48.56		
Expired/Forfeited	(371,159)	68.27		
Outstanding at December 29, 2017	4,643,984	57.78		
Vested and unvested expected to vest as of December 29, 2017	3,882,733	60.62	7.5	(0.6)
Exercisable at December 29, 2017	1,944,709	52.19	4.7	0.2

As of December 29, 2017, there was $37.7 million of total unrecognized compensation cost related to unvested share option awards, which is expected to be recognized over a weighted-average period of 2.5 years.

The grant date fair value of share options has been estimated using the Black-Scholes pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. The expected volatility assumption is based on the historical and implied volatility of the Group's peer group with similar business models. The expected life assumption is based on the contractual and vesting term of the share option, employee exercise patterns and employee post-vesting termination behavior. The expected annual dividend per share is based on the Group's current intentions regarding payment of cash dividends. The risk-free interest rate is based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The weighted-average assumptions used in the Black-Scholes pricing model for shares granted, along with the weighted-average grant-date fair value, were as follows:

	Fifteen Months Ended	Fiscal Year Ended
	December 29, 2017	September 30, 2016
Expected share price volatility	36%	31%
Risk-free interest rate	2.00%	1.74%
Expected annual dividend per share	—%	—%
Expected life of options (in years)	5.3	5.3
Fair value per option	$ 18.36	$ 22.82

During the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, the total intrinsic value of options exercised was $1.7 million and $15.3 million, respectively, and the related tax benefit was $0.6 million and $5.7 million, respectively.

Restricted share units. Recipients of RSUs have no voting rights and receive dividend equivalent units which vest upon the vesting of the related shares. RSUs generally vest in equal annual installments over a period of four years. Restrictions on RSUs lapse upon normal retirement, death or disability of the employee. The grant-date fair value of RSUs, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the service period. The fair market value of RSUs granted after the Conversion is determined based on the market value of the Group's ordinary shares on the date of grant for periods after the Separation.

RSU activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at September 25, 2015	572,494	$ 73.45
Granted	615,074	70.10
Vested	(193,849)	69.27
Forfeited	(99,260)	79.95
Non-vested at September 30, 2016	894,459	70.40
Granted	692,013	51.71
Vested	(321,637)	64.29
Forfeited	(159,069)	73.90
Non-vested at December 29, 2017	1,105,766	60.08

The total fair value of Mallinckrodt plc restricted share unit awards granted during the fifteen months ended December 29, 2017 was $35.8 million. The total fair value of Mallinckrodt plc restricted share unit awards vested during the fifteen months ended December 29, 2017 was $20.7 million. As of December 29, 2017, there was $42.0 million of total unrecognized compensation cost related to non-vested restricted share units granted. The cost is expected to be recognized over a weighted-average period of 2.4 years.

Performance share units. Similar to recipients of RSUs, recipients of PSUs have no voting rights and receive dividend equivalent units. The grant date fair value of PSUs, adjusted for estimated forfeitures, is generally recognized as expense on a straight-line basis from the grant date through the end of the performance period. The vesting of PSUs and related dividend equivalent units is generally based on various performance metrics and relative total shareholder return (total shareholder return for the Group as compared to total shareholder return of the PSU peer group), measured over a three-year performance period. The PSU peer group is comprised of various healthcare companies which replicate the Group's mix of businesses. Depending on performance during the performance period, a recipient of the award is entitled to receive a number of ordinary shares equal to a percentage, ranging from 0% to 200%, of the award granted.

PSU activity is as follows:

	Shares[(1)]	Weighted-Average Grant-Date Fair Value
Non-vested at September 25, 2015	130,974	$ 96.05
Granted	145,192	83.00
Forfeited	(9,521)	96.30
Non-vested at September 30, 2016	266,645	88.59
Granted	348,963	51.73
Forfeited	(49,603)	106.45
Vested	(61,554)	62.65
Non-vested at December 29, 2017	504,451	64.44

(1) The number of shares disclosed within this table are at the target number of 100%.

The Group generally uses the Monte Carlo model to estimate the probability of satisfying the performance criteria and the resulting fair value of PSU awards. The assumptions used in the Monte Carlo model for PSUs granted during during each period were as follows:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Expected stock price volatility	48%	41%
Peer group stock price volatility	40%	36%
Correlation of returns	17%	24%

The weighted-average grant-date fair value per share of PSUs granted was $51.73 during the fifteen months ended December 29, 2017. As of December 29, 2017, there was $18.5 million of unrecognized compensation cost related to PSUs, which is expected to be recognized over a weighted-average period of 1.8 years.

Restricted stock awards. Recipients of restricted stock awards ("RSAs") pertain solely to converted awards from the Questcor Acquisition, which were converted at identical terms to their original award. The converted RSAs maintain voting rights and a non-forfeitable right to receive dividends. RSAs are subject to accelerated vesting as prescribed by the terms of the original award based on a change in control, and substantially all of which vested over a thirteen month period of time from the date of the Questcor Acquisition. Restrictions on RSAs lapse upon normal retirement, death or disability of the employee. The grant-date fair value of RSAs, adjusted for estimated forfeitures, is recognized as expense on a straight-line basis over the service period. The weighted average grant-date fair value per share is $70.88.

	Shares
Non-vested at September 25, 2015	34,562
Vested	(9,760)
Forfeited	(7,936)
Non-vested at September 30, 2016	16,866
Vested	(9,057)
Forfeited	(3,134)
Non-vested at December 29, 2017	4,675

The total vest date fair value of Mallinckrodt restricted share awards vested during the fifteen months ended December 29, 2017 was $0.4 million.

Employee Stock Purchase Plans

Effective March 16, 2016, upon approval by the shareholders of Mallinckrodt, the Group adopted a new qualified Mallinckrodt Employee Stock Purchase Plan ("ESPP"). Substantially all full-time employees of the Group's U.S. subsidiaries and employees of certain qualified non-U.S. subsidiaries are eligible to participate in the ESPP. Eligible employees authorize payroll deductions to be made to purchase shares at 15% below the market price at the beginning or end of an offering period. Employees are eligible to authorize withholdings such that purchases of shares may amount to $25,000 of fair market value for each calendar year as prescribed by Internal Revenue Code ("IRC") Section 423. Mallinckrodt has elected to deliver shares under the period by utilizing treasury stock accumulated by the Group.

Prior to the first offering period of the ESPP (July 1, 2016), the Group maintained a non-qualified employee stock purchase plan ("the Old ESPP"). Substantially all full-time employees of the Group's U.S. subsidiaries and employees of certain qualified non-U.S. subsidiaries were eligible to participate in the Old ESPP. Eligible employees authorized payroll deductions to be made for the purchase of shares. The Group matched a portion of the employee contribution by contributing an additional 15% of the employee's payroll deduction up to a $25,000 per employee annual contribution. All shares purchased under the Old ESPP were purchased on the open market by a designated broker.

12. Loss Attributable to Mallinckrodt plc

In accordance with Section 304(2) of the Companies Act 2014, the Group is availing itself of the exemption from presenting and filing its parent company profit and loss account. The Company's loss as determined in accordance with Irish GAAP FRS 102 was $334.5 million and $205.9 million for the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively.

13. Directors' Remuneration

Directors' remuneration is set forth in the table below. Mr. Trudeau, the Group's President and Chief Executive Officer and Director, is not compensated for his services as a director. Accordingly, the amounts below for "Managerial Services" include compensation for Mr. Trudeau's services as President and Chief Executive Officer. The amounts below also include compensation for all non-executive directors in their capacities as such (referred to as "Director Services").

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Director Services (1)	$ 5.8	$ 4.0
Managerial Services (2)	15.0	11.4
	$ 20.8	$ 15.4

(1) Includes cash payments and amounts expensed for outstanding equity awards.
(2) For both the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, includes cash payments, amounts expensed for outstanding equity awards, defined contribution retirement and supplemental savings plan contributions, tax reimbursement payments and other benefits.

Indemnification Agreements. Mallinckrodt plc has entered into deeds of indemnification with each of its directors and Secretary ("the Deeds of Indemnification"), and Mallinckrodt Brand Pharmaceuticals, Inc., a Delaware corporation and a wholly owned subsidiary of Mallinckrodt plc ("Brand Pharma"), has entered into indemnification agreements with each of Mallinckrodt plc's directors and Secretary ("the Indemnification Agreements"). The Deeds of Indemnification and Indemnification Agreements provide, respectively, that Mallinckrodt plc and Brand Pharma will, to the fullest extent permitted by law, indemnify each indemnitee against claims related to such indemnitee's service to Mallinckrodt, except (i) in respect of any claim as to which a final and non-appealable judgment is rendered against the indemnitee for an accounting of profits made from the purchase or sale by such indemnitee of securities of Mallinckrodt plc pursuant to the provisions of Section 16(b) of the U.S. Securities Exchange Act of 1934 or similar provision of any federal, state or local laws; (ii) in respect of any claim as to which a court of competent jurisdiction has determined in a final and non-appealable judgment that indemnification is not permitted under applicable law; or (iii) in respect of any claim as to which the indemnitee is convicted of a crime constituting a felony under the laws of the jurisdiction where the criminal action was brought (or, where a jurisdiction does not classify any crime as a felony, a crime for which the indemnitee is sentenced to death or imprisonment for a term exceeding one year).

14. Auditors' Remuneration

Auditors' remuneration was as follows (in thousands):

	Fifteen Months Ended December 29, 2017 (1)	Fiscal Year Ended September 30, 2016 (1)
Audit of the group accounts (2)	$ 258.8	$ 205.4
Other assurance services (2)	271.2	188.1
	$ 530.0	$ 393.5

(1) No amounts were incurred for tax advisory or non-audit services.
(2) The Group incurred additional fees of $10,236.1 thousand and $7,462.7 thousand during the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively, payable to affiliates of Deloitte, Ireland. These additional amounts reflect fees for professional services rendered, including audit fees payable to Deloitte & Touche LLP in the U.S. for the audit of the Group's consolidated financial statements.

15. Employees

The average number of persons, including executive directors, employed by the Group during the year was as follows:

	December 29, 2017	September 30, 2016
Manufacturing	1,858	2,459
Sales, marketing and distribution	1,115	1,336
Research and development	432	463
General and administrative	684	854
	4,089	5,112

Employee costs consisted of the following:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Wages and salaries	$ 809.6	$ 726.3
Social security costs	44.5	47.1
Pension and postretirement costs	119.3	48.9
	$ 973.4	$ 822.3

16. Intangible Assets

Intangible asset activity for the fifteen months ended December 29, 2017 was as follows:

	Goodwill	Completed Technology	Licenses	Trademarks	In-process Research and Development	Customer Relationships	Other	Total Intangible Assets
Cost:								
At September 30, 2016	$ 3,705.3	$ 10,028.8	$ 185.1	$ 117.2	$ 399.1	$ 28.6	$ 6.7	$ 14,470.8
Additions	34.2	—	2.0	—	178.0	—	1.9	216.1
Sale of Intrathecal Therapy business	(49.8)	(73.1)	—	(0.2)	—	—	—	(123.1)
Impairment	(207.0)	(73.0)	(10.0)	—	—	—	—	(290.0)
Currency translation	—	0.1	—	0.1	—	0.9	—	1.1
At December 29, 2017	$ 3,482.7	$ 9,882.8	$ 177.1	$ 117.1	$ 577.1	$ 29.5	$ 8.6	$ 14,274.9
Amortization:								
At September 30, 2016	$ —	$ 1,446.2	$ 112.3	$ 10.0	$ —	$ 8.0	$ 6.7	$ 1,583.2
Amortization expense	—	848.3	11.5	4.6	—	3.9	1.9	870.2
Sale of Intrathecal Therapy business	—	(24.4)	—	(0.2)	—	—	—	(24.6)
Impairment	—	(9.3)	(2.7)	—	—	—	—	(12.0)
Currency translation	—	—	—	0.1	—	0.3	—	0.4
At December 29, 2017	$ —	$ 2,260.8	$ 121.1	$ 14.5	$ —	$ 12.2	$ 8.6	$ 2,417.2
Net book value:								
At September 30, 2016	$ 3,705.3	$ 8,582.6	$ 72.8	$ 107.2	$ 399.1	$ 20.6	$ —	$ 12,887.6
At December 29, 2017	$ 3,482.7	$ 7,622.0	$ 56.0	$ 102.6	$ 577.1	$ 17.3	$ —	$ 11,857.7

The changes in the carrying amount of goodwill by segment were as follows:

	December 29, 2017		September 30, 2016	
	Gross Carrying Amount	Accumulated Impairment	Gross Carrying Amount	Accumulated Impairment
Specialty Brands	$ 3,482.7	$ —	$ 3,498.3	$ —
Specialty Generics	207.0	(207.0)	207.0	—
Nuclear Imaging	—	—	119.5	(119.5)
Total	$ 3,689.7	$ (207.0)	$ 3,824.8	$ (119.5)

During the fifteen months ended December 29, 2017, the gross carrying value of goodwill in the Specialty Brands segment decreased by $15.6 million. The decrease was primarily attributable to the sale of the Intrathecal Therapy business to Piramal for which $49.8 million of goodwill was ascribed and was factored into the gain on sale of the business. The decrease was partially offset by $25.1 million from the Ocera Acquisition and $11.4 million from the InfaCare Acquisition. The remaining change in goodwill was related to a purchase accounting adjustment for the Stratatech Acquisition primarily attributable to changes in deferred tax balances.

Goodwill Impairment Analysis

The Specialty Generics reporting unit has experienced customer consolidation and increased competition that have and are expected to result in further downward pressure to turnover and operating income in this reporting unit. During the fifteen months ended December 29, 2017, the FDA approved new products that are expected to compete with the Group's methylphenidate HCI extended-release tablets USP (CII) ("Methylphenidate ER") products and several competitors launched their Methylphenidate ER products. All of these products have a class AB rating compared with the class BX rating on the Group's Methylphenidate ER products. It is uncertain how these product approvals may impact the FDA's withdrawal proceedings associated with the Group's Methylphenidate ER products. The Group determined that these events represented a triggering event and the Group performed an assessment of the goodwill associated with the Specialty Generics reporting unit as of December 30, 2016.

The Group's projections in the Specialty Generics reporting unit included long-term turnover and operating income at lower than historical levels primarily attributable to customer consolidation and increased competition, including the competition effects on Methylphenidate ER. The Group utilized a weighted average cost of capital of 9.5% which reflects the Group's risk premium associated with the projected cash flows. These assumptions resulted in a fair value of the Specialty Generics reporting unit that was less than its net book value. As this impairment analysis was performed prior to the Group's adoption of ASU 2017-04 in calendar 2017, the Group performed step two of the goodwill impairment test and recognized a $207.0 million goodwill impairment in the Specialty Generics segment.

The Group performed its annual goodwill impairment analysis for the Specialty Brands reporting unit as of the first day of the last quarter of the fifteen month period. For purposes of assessing impairment of goodwill for the Specialty Brands reporting unit, the Group made various assumptions regarding estimated future cash flows, discount rate and other factors in determining the respective fair value of the reporting unit using the income approach.

These assumptions resulted in a fair value of the Specialty Brands reporting unit in excess of its net book value. The fair value of the Specialty Brands reporting unit was assessed for reasonableness by aggregating the fair values of the Group's businesses and comparing this to its market capitalization with a control premium. Based upon the Group's annual assessment, no goodwill impairment was identified.

During the three months ended December 29, 2017, the Group experienced a substantial decline in its market capitalization, providing an indication that goodwill may be impaired at December 29, 2017. The decline in the Group's market capitalization was driven by a decrease in its share price. The Group believes that its share price has been adversely affected most notably by patient withdrawal issues impacting turnover of H.P. Acthar Gel, ongoing Inomax patent litigation, uncertainty regarding the perceived value of its various pipeline products and an incomplete understanding of its complex income tax structure.

In response to the decline in the Group's market capitalization, the annual valuation was updated and the Group determined that there was no goodwill impairment at December 29, 2017.

The projections used in both the annual and the year ended December 29, 2017 valuations for the Specialty Brands reporting unit include management's best estimate of long-term revenue and operating income. The Group's projections of future cash flows were discounted based on a weighted average cost of capital of 12.5%, for both valuations, that was determined from relevant market comparisons, adjusted upward for specific reporting unit risks. A terminal value growth rate was applied to the terminal year cash flows, representing the Group's estimate of stable, sustainable growth. The fair value of the Specialty Brands reporting unit represents the sum of the discounted cash flows from the discrete period and the terminal year cash flows. These assumptions resulted in a fair value of the Specialty Brands reporting unit in excess of its net book value by mid-single digits in both valuations. The fair value of the Specialty Brands reporting unit was assessed for reasonableness by aggregating the fair value of the Group's businesses and comparing this to its market capitalization with a control premium and consideration of the aforementioned adverse effects the Group believes have impacted its share price.

Should the Specialty Brands reporting unit fail to experience growth, revise its long-term projections for its products downward or market conditions dictate utilization of a higher discount rate, the Specialty Brands reporting unit could be subject to impairment in future periods. In addition, the Group will continue to assess the impact of its market capitalization. It is possible that if the Group's market capitalization decline is sustained, such decline could result in an impairment of goodwill and other long-lived assets associated with its reporting units.

Long-Lived Asset Impairment Analysis

The Group recorded impairment charges totaling $71.0 million during the fifteen months ended December 29, 2017 related to the Raplixa and Xartemis intangible assets and $16.9 million during the fiscal year ended September 30, 2016 related to certain Specialty Brands in-process research and development intangible assets acquired as part of the CNS Therapeutics acquisition in fiscal year ended September 27, 2013. The valuation method used to approximate fair value was based on the estimated discounted cash flows for the respective asset. The Raplixa impairment charge resulted from the lower than previously anticipated commercial opportunities for the product, while the CNS Therapeutics IPR&D impairment charge resulted from delays in anticipated FDA approval, higher than expected development costs and lower than previously anticipated commercial opportunities. The Xartemis impairment charge resulted in the Group electing to discontinue the product.

Finite-lived intangible asset amortization expense was $870.2 million and $700.1 million during the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively. The estimated aggregate amortization expense on intangible assets owned by the Group is expected to be as follows:

Fiscal 2018	$ 681.8
Fiscal 2019	681.4
Fiscal 2020	681.1
Fiscal 2021	680.9
Fiscal 2022	553.9

17. Tangible Assets

The gross carrying amount and accumulated depreciation of tangible assets at the end of each period was as follows:

	December 29, 2017	September 30, 2016
Land	$ 44.0	$ 49.5
Buildings	355.5	344.8
Capitalized software	109.0	119.8
Machinery and equipment	1,123.8	1,268.9
Construction in process	209.7	198.1
	1,842.0	1,981.1
Less: accumulated depreciation	(875.2)	(948.1)
Total tangible assets	$ 966.8	$ 1,033.0

The amounts above include property under capital leases of $0.2 million and $0.1 million at December 29, 2017 and September 30, 2016, respectively, consisting primarily of machinery and equipment. There was $0.1 million of accumulated amortization on capitalized lease assets as of December 29, 2017 and none at as of September 30, 2016.

Depreciation expense, including amounts related to capitalized leased assets, was $141.3 million and $134.5 million for the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively.

Tangible assets activity for the fifteen months ended December 29, 2017 was as follows:

	Land	Buildings	Capitalized Software	Machinery and Equipment	Construction in Process	Total Tangible Assets
Cost:						
At September 30, 2016	$ 49.5	$ 344.8	$ 119.8	$ 1,268.9	$ 198.1	$ 1,981.1
Additions	—	10.9	0.3	13.3	176.8	201.3
Acquisitions	—	—	—	—	—	—
Disposal of tangible assets	(3.2)	(13.2)	(2.1)	(23.0)	—	(41.5)
Disposal of Nuclear business	(2.7)	(61.1)	(34.3)	(239.1)	(28.8)	(366.0)
Transfers	—	65.4	23.5	81.3	(170.2)	—
Currency translation and other	0.4	8.7	1.8	22.4	33.8	67.1
At December 29, 2017	$ 44.0	$ 355.5	$ 109.0	$ 1,123.8	$ 209.7	$ 1,842.0
Depreciation:						
At September 30, 2016	$ —	$ 133.5	$ 67.2	$ 747.4	$ —	$ 948.1
Depreciation expense	—	19.1	15.0	107.3	—	141.4
Disposal of tangible assets	—	(13.2)	(2.1)	(20.8)	—	(36.1)
Disposal of Nuclear business	—	(25.3)	(10.6)	(140.0)	—	(175.9)
Currency translation and other	—	5.6	0.9	(8.8)	—	(2.3)
At December 29, 2017	$ —	$ 119.7	$ 70.4	$ 685.1	$ —	$ 875.2
Net book value:						
At September 30, 2016	$ 49.5	$ 211.3	$ 52.6	$ 521.5	$ 198.1	$ 1,033.0
At December 29, 2017	$ 44.0	$ 235.8	$ 38.6	$ 438.7	$ 209.7	$ 966.8

Gain on disposal of tangible assets was $2.3 million for the fifteen months ended December 29, 2017 and immaterial for the fiscal year ended September 30, 2016.

18. Financial Assets

The Group's financial asset activity during fifteen months ended December 29, 2017 was as follows:

	Assets Held by Rabbi Trusts	Insurance Contracts for Pension Plans	Restricted Cash	Other Financial Assets	Total Financial Assets
At October 1, 2016	$ 93.8	$ 9.5	$ 19.1	$ 1.8	$ 124.2
Unrealized gain	6.4	—	—	—	6.4
Disposals	—	(1.5)	—	—	(1.5)
Cash paid (received), net	(6.7)	18.8	(0.8)	0.2	11.5
Currency translation and other	—	4.7	—	—	4.7
At December 29, 2017	$ 93.5	$ 31.5	$ 18.3	$ 2.0	$ 145.3

19. Stocks

Stocks were comprised of the following at the end of each period:

	December 29, 2017	September 30, 2016
Raw materials and supplies	$ 70.0	$ 74.5
Work in process	167.1	190.5
Finished goods	103.3	89.6
Stocks	$ 340.4	354.6

The estimated replacement costs of stocks does not differ significantly from the figure above.

20. Debtors

At the end of each period, debtors were comprised of:

	December 29, 2017	September 30, 2016
Amounts falling due within one year		
Trade debtors	$ 445.8	$ 519.5
Note receivable	154.0	—
Sales taxes recoverable	8.1	14.7
Prepaid taxation charges	1.9	10.0
Taxation receivable	4.2	44.1
Other debtors and prepayments	47.2	57.7
	661.2	646.0
Amounts falling due after more than one year		
Deferred taxation	16.4	24.8
Insurance receivables	13.3	11.7
Pension asset (Note 24)	—	14.6
Deferred taxation charges	—	86.6
Other debtors	18.9	34.1
	48.6	171.8
	$ 709.8	$ 817.8

21. Creditors (amounts falling due within one year)

As of the end of each period, creditors (amounts falling due within one year) were comprised of:

	December 29, 2017	September 30, 2016
Debt (Note 23)	$ 313.7	$ 256.3
Trade creditors	113.3	127.7
Accrued payroll and employee benefits	98.5	123.8
Income taxes payable (Note 9)	15.8	124.0
Other taxes	38.6	33.0
Accrued interest	57.0	80.6
Accrued royalties	50.0	37.4
Accrued rebates	22.8	20.2
Accrued professional fees	21.3	22.1
Accruals and other creditors	182.1	209.4
	$ 913.1	$ 1,034.5

22. Creditors (amounts falling due after more than a year)

As of the end of each period, creditors (amounts falling due after more than one year) were comprised of:

	December 29, 2017	September 30, 2016
Debt (Note 23)	$ 6,420.9	$ 5,788.7
Income taxes payable (Note 9)	94.1	67.7
Deferred compensation	42.7	26.8
Section 453A unrecognized benefit	46.0	25.7
Accruals and other creditors	31.0	13.6
	$ 6,634.7	$ 5,922.5

23. Debt

Debt was comprised of the following at the end of each period (all amounts are fully payable on their maturity date unless otherwise noted):

	December 29, 2017		September 30, 2016	
	Principal	Unamortized Discount and Debt Issuance Costs	Principal	Unamortized Discount and Debt Issuance Costs
Current maturities of long-term debt:				
Variable rate receivable securitization due July 2017	$ —	$ —	$ 235.0	$ 0.4
3.50% notes due April 2018 (3)	300.0	0.2	—	—
Term loans due March 2021	—	—	20.0	0.4
4.00% term loan due February 2022	—	—	1.1	—
Term loan due September 2024 (1)	14.0	0.3	—	—
Capital lease obligation and vendor financing agreements (1)	0.2	—	1.0	—
Total current debt	314.2	0.5	257.1	0.8
Long-term debt:				
3.50% notes due April 2018 (3)	—	—	300.0	1.1
4.88% notes due April 2020 (3)	700.0	5.7	700.0	8.8
Variable rate receivable securitization due July 2020 (3)	200.0	0.7	—	—
Term loans due March 2021 (1) (2)	—	—	1,933.5	35.4
4.00% term loan due February 2022 (1) (2)	—	—	6.0	—
9.50% debentures due May 2022 (3)	10.4	—	10.4	—
5.75% notes due August 2022 (3)	884.0	9.5	884.0	12.1
8.00% debentures due March 2023 (4)	4.4	—	4.4	—
4.75% notes due April 2023 (4)	526.5	4.5	600.0	6.4
5.625% notes due October 2023 (4)	738.0	9.7	740.0	11.8
Term loan due September 2024 (2)	1,837.2	26.7	—	—
5.50% notes due April 2025 (4)	692.1	9.0	700.0	10.6
Revolving credit facility (3)	900.0	5.9	—	3.6
Capital lease obligation and vendor financing agreements (1)	—	—	0.2	—
Total long-term debt	6,492.6	71.7	5,878.5	89.8
Total debt	$ 6,806.8	$ 72.2	$ 6,135.6	$ 90.6

(1) Includes debt repayable within five years, by installment, of $14.2 million.
(2) Includes debt repayable beyond five years, by installment, of $1,837.2 million.
(3) Includes debt repayable within five years, otherwise than by installment, of $2,994.4 million.
(4) Includes debt repayable beyond five years, otherwise than by installment, of $1,961.0 million.

Mallinckrodt International Finance S.A. ("MIFSA") is a wholly-owned subsidiary of the Group. MIFSA functions as a holding company, established to own, directly or indirectly, substantially all of the operating subsidiaries of the Group, as well as to issue debt securities and to perform treasury operations.

In April 2013, MIFSA issued $300.0 million aggregate principal amount of 3.50% senior unsecured notes due April 2018 and $600.0 million aggregate principal amount of 4.75% senior unsecured notes due April 2023 (collectively, "the Notes"). Mallinckrodt plc has fully and unconditionally guaranteed the Notes on an unsecured and unsubordinated basis. The Notes are subject to an indenture which contains covenants limiting the ability of MIFSA, its restricted subsidiaries (as defined in the Notes) and Mallinckrodt plc, as guarantor, to incur certain liens or enter into sale and lease-back transactions. It also restricts Mallinckrodt plc and MIFSA's ability to merge or consolidate with any other person or sell or convey all or substantially all of their assets to any one person. MIFSA may redeem all of the Notes at any time, and some of the Notes from time to time, at a redemption price equal to the principal amount of the Notes redeemed plus a make-whole premium. MIFSA will pay interest on the Notes semiannually in arrears on April 15th and October 15th of each year, which commenced on October 15, 2013.

In August 2014, MIFSA and Mallinckrodt CB LLC ("MCB") ("the Issuers") issued $900.0 million aggregate principal amount of 5.75% senior unsecured notes due August 1, 2022 ("the 2022 Notes"). The 2022 Notes are guaranteed by Mallinckrodt plc and each of its subsidiaries that guarantee the obligations under the 2017 Facilities (as defined below). The 2022 Notes are subject to an indenture that contains certain customary covenants and events of default (subject in certain cases to customary grace and cure periods). The occurrence of an event of default under the indenture could result in the acceleration of the 2022 Notes and could cause a cross-default that could result in the acceleration of other indebtedness of Mallinckrodt plc and its subsidiaries. The Issuers may redeem some or all of the 2022 Notes prior to August 1, 2017 by paying a make-whole premium. The Issuers may redeem some or all of the 2022 Notes on or after August 1, 2017 at specified redemption prices. In addition, on or prior to August 1, 2017, the Issuers may redeem up to 40% of the aggregate principal amount of the 2022 Notes with the net proceeds of certain equity offerings. The Issuers are obligated to offer to repurchase the 2022 Notes at a price of (a) 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (b) 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain asset sales. These obligations are subject to certain qualifications and exceptions. MIFSA pays interest on the 2022 Notes semiannually in arrears on February 1st and August 1st of each year, which commenced on February 1, 2015.

On April 15, 2015, MIFSA and MCB issued $700.0 million aggregate principal amount of 4.875% senior unsecured notes due April 15, 2020 ("the 2020 Notes") and $700.0 million aggregate principal amount of 5.50% senior unsecured notes due April 15, 2025 ("the 2025 Notes", and together with the 2020 Notes, the "Ikaria Notes"). The Ikaria Notes are guaranteed by Mallinckrodt plc and each of its subsidiaries that guarantee the obligations under the 2017 Facilities, which following the Ikaria Acquisition includes Compound Holdings II, Inc. (or its successors) and its U.S. subsidiaries. The Ikaria Notes are subject to an indenture that contains certain customary covenants and events of default (subject in certain cases to customary grace and cure periods). The occurrence of an event of default under the indenture could result in the acceleration of the Ikaria Notes and could cause a cross-default that could result in the acceleration of other indebtedness of the Group. The Issuers may redeem some or all of the (i) 2020 Notes prior to April 15, 2017 and (ii) 2025 Notes prior to April 15, 2020, in each case, by paying a "make-whole" premium. The Issuers may redeem some or all of the (i) 2020 Notes on or after April 15, 2017 and (ii) 2025 Notes on or after April 15, 2020, in each case, at specified redemption prices. In addition, on or prior to (i) April 15, 2017, in the case of the 2020 Notes, and (ii) April 15, 2018, in the case of the 2025 Notes, the Issuers may redeem up to 40% of the aggregate principal amount of the 2020 Notes or 2025 Notes, as the case may be, with the net proceeds of certain equity offerings. The Issuers are obligated to offer to repurchase (a) each series of Notes at a price of 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (b) the Notes at a price of 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain net asset sales. These obligations are subject to certain qualifications and exceptions. The Group pays interest on the Ikaria Notes semiannually on April 15th and October 15th of each year, which commenced on October 15, 2015.

On September 24, 2015, in connection with the Therakos Acquisition, MIFSA and MCB issued $750.0 million aggregate principal amount of 5.625% senior unsecured notes due October 2023 (the "2023 Notes"). The Notes are guaranteed by Mallinckrodt plc and each of its subsidiaries under the 2017 Facilities, which following the Therakos Acquisition includes TGG Medical Solutions, Inc. (or its successors) and its U.S. subsidiaries. The 2023 Notes are subject to an indenture that contains certain customary covenants and events of default (subject in certain cases to customary grace and cure periods). The occurrence of an event of default under the indenture could result in the acceleration of the 2023 Notes and could cause a cross-default that could result in the acceleration of other indebtedness of the Group. The Issuers may redeem some or all of the 2023 Notes on or after October 15, 2018 at specified redemption prices. In addition, on or prior to October 15, 2018, the Issuers may redeem up to 40% of the aggregate principal amount of the 2023 Notes with the net proceeds of certain equity offerings. The Issuers may also redeem all, but not less than all, of the Notes at any time at a price of 100% of their principal amount, plus accrued and unpaid interest, if any, in the event the Issuers become obligated to pay additional amounts as a result of changes affecting certain withholding tax laws applicable to payments on the Notes. The Issuers are obligated to offer to repurchase the 2023 Notes (a) at a price of 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (b) the 2023 Notes at a price of 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain net asset sales. These obligations are subject to certain qualifications and exceptions. The Group pays interest on the 2023 Notes semiannually on April 15th and October 15th of each year, which commenced on April 15, 2016.

On February 28, 2017, MIFSA and MCB refinanced the March 2014 and August 2014 term loans, both of which were due in March 2021 ("the Existing Term Loans"). The refinanced term loans had an initial aggregate principal amount of $1,865.0 million, are due in September 2024 and bear interest at London Interbank Offered Rate ("LIBOR") plus 2.75% ("the 2017 Term Loan"). The 2017 Term Loan requires quarterly principal amortization payments in an amount equal to 0.25% of the original principal balance of the 2017 Term Loan, and may be reduced by making optional prepayments. The quarterly principal amortization is payable on the last day of each calendar quarter, which commenced on June 30, 2017, with the remaining balance due on September 24, 2024. The Group accounted for the term loan refinancing as a debt modification. As of December 29, 2017, the interest rate for the 2017 Term Loan was 4.44%, and outstanding principal under this agreement totaled approximately $1,851.2 million.

In conjunction with the term loan refinancing, MIFSA and MCB replaced the existing revolving credit facility of $500.0 million due in March 2019 with a $900.0 million facility that matures on February 28, 2022 ("the 2017 Revolving Credit Facility"). The 2017 Revolving Credit Facility bears interest at LIBOR plus 2.25%. The 2017 Revolving Credit Facility reduced the letter of credit provision from $150.0 million to $50.0 million. Unused commitments on the 2017 Revolving Credit Facility are subject to an annual commitment fee, which was 0.275% as of December 29, 2017, and the fee applied to outstanding letters of credit is based on the interest rate applied to borrowings. As of December 29, 2017, there was $900.0 million in outstanding borrowings under the 2017 Revolving Credit Facility, the applicable interest rate was 3.94% as of December 29, 2017. The 2017 Revolving Credit Facility added certain wholly-owned subsidiaries of the Group as borrowers, in addition to MIFSA and MCB.

The 2017 Term Loan and 2017 Revolving Credit Facility (collectively "the 2017 Facilities") are fully and unconditionally guaranteed by Mallinckrodt plc, certain of its direct or indirect wholly-owned U.S. subsidiaries and each of its direct or indirect wholly-owned subsidiaries that owns directly or indirectly any wholly-owned U.S. subsidiaries and certain of its other subsidiaries (collectively, "the Guarantors"). The 2017 Facilities are secured by a security interest in certain assets of MIFSA, MCB and the Guarantors. The 2017 Facilities contain customary affirmative and negative covenants, which include, among other things, restrictions on the Group's ability to declare or pay dividends, create liens, incur additional indebtedness, enter into sale and lease-back transactions, make investments, dispose of assets and merge or consolidate with any other person.

As a result of the 2017 Facilities financing transaction and the write-off of certain deferred financing costs associated with an $83.5 million payment on the Existing Term Loans, the Group recorded a $10.0 million charge included within the other expense line in the consolidated statement of income.

On July 28, 2017, Mallinckrodt Securitization S.à r.l. ("Mallinckrodt Securitization"), a wholly owned special purpose subsidiary of the Group, entered into a $250.0 million accounts receivable securitization facility ("the Receivable Securitization") with a three year term. The Receivable Securitization was entered into upon the maturity of the original July 2017 Securitization. Mallinckrodt Securitization may, from time to time, obtain up to $250.0 million in third-party borrowings secured by certain receivables. The borrowings under the Receivable Securitization are to be repaid as the secured receivables are collected. Loans under the Receivable Securitization will bear interest (including facility fees) at a rate equal to one month LIBOR rate plus a margin of 0.9%. Unused commitments on the Receivables Securitization are subject to an annual commitment fee of 0.4%. The Receivable Securitization agreements contain customary representations, warranties, and affirmative and negative covenants. The size of the securitization facility may be increased to $300.0 million upon approval of the third-party lenders. As of December 29, 2017, the applicable interest rate on outstanding borrowings under the Receivable Securitization was 2.46% and outstanding borrowings totaled $200.0 million.

The aggregate amounts of debt, including the capital lease obligation, maturing during the next five fiscal years are as follows:

Fiscal 2018	$	314.2
Fiscal 2019		18.7
Fiscal 2020		918.7
Fiscal 2021		23.3
Fiscal 2022		1,813.0

24. Retirement Plans

As of the end of each period, pension and similar obligations, presented net of funded status, were comprised of:

	December 29, 2017	September 30, 2016
U.S. defined benefit pension plans	$ 10.7	$ 83.0
Non-U.S. defined benefit pension plans	17.1	9.2
Postretirement benefit obligations	45.6	50.8
Other	1.2	2.0
	$ 74.6	$ 145.0

Pension Plan Termination and Discontinued Operations

On March 31, 2016, the Group terminated six of its previously frozen U.S. pension plans. During the fifteen months ended December 29, 2017, approximately $338.4 million of obligations and corresponding pension assets were transferred to a third party for settlement of the terminated pension plans through the purchase of annuity contracts. As a result of the settlement, the Group made a $62.3 million cash contribution to the terminated plans and recognized a $115.5 million charge included within D&A expense during the fifteen months ended December 29, 2017.

Certain non-U.S. pension plans were transferred to IBAM with the sale of the Nuclear Imaging business. At September 30, 2016, the projected benefit obligation and fair value of plan assets associated with these plans were $142.1 million and $149.5 million, respectively.

Defined Benefit Plans

The Group sponsors a number of defined benefit retirement plans covering certain of its U.S. employees and non-U.S. employees. As of December 29, 2017, U.S. plans represented 39% of the Group's remaining projected benefit obligation. The Group generally does not provide postretirement benefits other than retirement plan benefits for its employees; however, certain of the Group's U.S. employees participate in postretirement benefit plans that provide medical benefits. These plans are unfunded.

The amounts included in the Group's financial statements are based on the most recent actuarial valuations, which are generally as of the end of the period. The actuarial valuations are performed by the individual plan's independent and professionally qualified actuaries. These actuarial reports are not available for public inspection.

The net periodic benefit cost (credit) for the Group's pension and postretirement benefit plans was as follows:

	Pension Benefits		Postretirement Benefits	
	Fifteen Months Ended	Fiscal Year Ended	Fifteen Months Ended	Fiscal Year Ended
	December 29, 2017	September 30, 2016	December 29, 2017	September 30, 2016
Service cost	$ 3.0	$ 3.7	$ —	$ 0.1
Interest cost	4.8	15.9	2.1	2.0
Expected return on plan assets	(4.0)	(20.2)	—	—
Amortization of net actuarial loss	6.3	11.4	—	—
Amortization of prior service cost (credit)	0.1	(0.5)	(2.6)	(2.1)
Curtailment gain	(1.0)	—	—	—
Loss (gain) on plan settlements	116.1	8.0	(0.9)	—
Net periodic benefit cost (credit)	$ 125.3	$ 18.3	$ (1.4)	$ —

The following table represents the changes in benefit obligations, plan assets and the net amounts recognized on the consolidated balance sheets for pension and postretirement benefit plans at the end of each period:

	Pension Benefits		Postretirement Benefits	
	Fifteen Months Ended	Fiscal Year Ended	Fifteen Months Ended	Fiscal Year Ended
	December 29, 2017	September 30, 2016	December 29, 2017	September 30, 2016
Change in benefit obligation:				
Projected benefit obligations at beginning of year	$ 551.2	$ 493.5	$ 50.8	$ 52.2
Service cost	3.0	3.7	—	0.1
Interest cost	4.8	15.9	2.1	2.0
Employee contributions	0.1	0.6	—	—
Actuarial (gain) loss	(43.3)	90.5	(2.5)	0.5
Benefits and administrative expenses paid	(15.5)	(23.0)	(3.9)	(4.0)
Plan settlements	(342.9)	(26.5)	(0.9)	—
Plan curtailments and amendments	—	(0.5)	—	—
Plan disposals	(120.8)	(3.7)	—	—
Currency translation	(8.8)	0.7	—	—
Projected benefit obligations at end of year	$ 27.8	$ 551.2	$ 45.6	$ 50.8
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 459.0	$ 437.9	$ —	$ —
Actual return on plan assets	(27.3)	49.9	—	—
Employer contributions	71.1	19.6	3.9	4.0
Employee contributions	0.1	0.6	—	—
Benefits and administrative expenses paid	(15.5)	(23.0)	(3.9)	(4.0)
Plan settlements	(342.9)	(26.5)	—	—
Plan disposals	(134.1)	—	—	—
Currency translation	(10.4)	0.5	—	—
Fair value of plan assets at end of year	—	459.0	—	—
Funded status at end of year	$ (27.8)	$ (92.2)	$ (45.6)	$ (50.8)

	Pension Benefits		Postretirement Benefits	
	December 29, 2017	September 30, 2016	December 29, 2017	September 30, 2016
Amounts recognized on the consolidated balance sheet:				
Debtors (amounts falling due after more than one year)	$ —	$ 14.6	$ —	$ —
Provisions for liabilities	(27.8)	(106.8)	(45.6)	(50.8)
Net amount recognized on the consolidated balance sheet	$ (27.8)	$ (92.2)	$ (45.6)	$ (50.8)
Amounts recognized in accumulated other comprehensive profit consist of:				
Net actuarial loss	$ (8.6)	$ (144.3)	$ (3.0)	$ (5.6)
Prior service (cost) credit	(0.5)	5.2	10.2	12.8
Net amount recognized in accumulated other comprehensive profit	$ (9.1)	$ (139.1)	$ 7.2	$ 7.2

The estimated amounts that will be amortized from accumulated other comprehensive profit into net periodic benefit cost (credit) in fiscal 2018 are as follows:

	Pension Benefits	Postretirement Benefits
Amortization of net actuarial loss	$ (0.5)	$ (0.1)
Amortization of prior service cost	(0.1)	2.1

The accumulated benefit obligation for all pension plans as of December 29, 2017 and September 30, 2016 was $27.3 million and $547.5 million respectively. Additional information related to pension plans is as follows:

	December 29, 2017	September 30, 2016
Pension plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligation	$ 27.3	$ 401.0
Fair value of plan assets	—	295.0

The accumulated benefit obligation and fair value of plan assets for pension plans with projected benefit obligations in excess of plan assets do not significantly differ from the amounts in the table above since substantially all of the Group's pension plans are frozen.

Actuarial Assumptions

Weighted-average assumptions used each period to determine net periodic benefit cost for the Group's pension plans were as follows:

	U.S. Plans		Non-U.S. Plans	
	December 29, 2017	September 30, 2016	December 29, 2017	September 30, 2016
Discount rate	3.0%	3.9%	1.8%	2.2%
Expected return on plan assets	3.5%	5.8%	—%	2.6%
Rate of compensation increase	—%	—%	2.5%	3.2%

Weighted-average assumptions used each period to determine benefit obligations for the Group's pension plans were as follows:

	U.S. Plans		Non-U.S. Plans	
	December 29, 2017	September 30, 2016	December 29, 2017	September 30, 2016
Discount rate	3.3%	2.3%	1.9%	1.5%
Rate of compensation increase	—%	—%	2.5%	3.2%

For the Group's funded U.S. plans, the discount rate is based on the estimated final settlement discount rates based on quotes received from a group of well-rated insurance carriers who are active in the single premium group annuity marketplace. The group of insurance carriers are rated A or better by AM best. For the Group's unfunded U.S. plans, the discount rate is based on the market rate for a broad population of AA-rated (Moody's or S&P) corporate bonds over $250.0 million.

In determining the expected return on pension plan assets, the Group considers the relative weighting of plan assets by class and individual asset class performance expectations as provided by external advisors in reaching conclusions on appropriate assumptions. The investment strategy for the pension plans is to obtain a long-term return on plan assets that is consistent with the level of investment risk that is considered appropriate. Investment risks and returns are reviewed regularly against benchmarks to ensure objectives are being met.

The weighted-average discount rate used to determine net periodic benefit cost and obligations for the Group's postretirement benefit plans were as follows:

	December 29, 2017	September 30, 2016
Net periodic benefit cost	3.7%	4.0%
Benefit obligations	3.4%	3.2%

Healthcare cost trend assumptions for postretirement benefit plans were as follows:

	December 29, 2017	September 30, 2016
Healthcare cost trend rate assumed for next fiscal year	6.9%	7.1%
Rate to which the cost trend rate is assumed to decline	4.5%	4.5%
Fiscal year the ultimate trend rate is achieved	2038	2029

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	One-Percentage-Point Increase	One-Percentage-Point Decrease
Effect on total of service and interest cost	$ —	$ —
Effect on postretirement benefit obligation	0.2	(0.4)

Plan Assets

As of December 29, 2017, the Group had no pension plan assets as a result of the termination and settlement of the Group's funded U.S. plans during the fifteen months ended December 29, 2017. Prior to, and in anticipation of, the settlement of these defined benefit pension plans, the asset allocation at September 30, 2016 was concentrated in debt securities, in an attempt to mitigate fluctuations in both interest rates and the equity markets.

Pension plans had the following weighted-average asset allocations as of September 30, 2016:

	U.S. Plans	Non-U.S. Plans
Equity securities	—%	6%
Debt securities	96	1
Cash in bank and at hand	4	—
Real estate and other	—	93
Total	100%	100%

The following table provides a summary of plan assets held by the Group's pension plans that are measured at fair value on a recurring basis as of September 30, 2016:

		Basis of Fair Value Measurement		
	September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
U.S. large cap	$ 1.4	$ 1.4	$ —	$ —
International	8.8	—	8.8	—
Debt securities:				
Diversified fixed income funds (1)	297.3	296.0	1.3	—
Insurance contracts	137.4	—	—	137.4
Other	14.1	12.3	1.8	—
Total	$ 459.0	$ 309.7	$ 11.9	$ 137.4

(1) Diversified fixed income funds consist of U.S. Treasury bonds, mortgage-backed securities, corporate bonds, asset-backed securities and U.S. agency bonds.

Equity securities. Equity securities primarily consisted of mutual funds with underlying investments in foreign equity and domestic equity markets. The fair value of these investments were based on net asset value of the units held in the respective fund, which were determined by obtaining quoted prices on nationally recognized securities exchanges (level 1) or through net asset values provided by the fund administrators that could be corroborated by observable market data (level 2).

Debt securities. Debt securities were primarily invested in mutual funds with underlying fixed income investments in U.S. government and corporate debt, U.S. dollar denominated foreign government and corporate debt, asset-backed securities, mortgage-backed securities and U.S. agency bonds. The fair value of these investments were based on the net asset value of the units held in each respective fund which were determined by obtaining quoted prices on nationally recognized securities exchanges.

Insurance contracts. Insurance contracts held by the Group were issued primarily by Delta Lloyd, a well-known, highly rated insurance Group. The fair value of these insurance contracts were based upon the present value of future cash flows under the terms of the contracts and therefore the fair value of these assets was been classified as level 3 within the fair value hierarchy. Significant assumptions used in determining the fair value of these contracts were the amount and timing of future cash flows and counterparty credit risk. The objective of the insurance contracts was to provide the Group with future cash flows that will match the estimated timing and amount of future pension benefit payments. Delta Lloyd's insurance subsidiaries have a Standard & Poor's credit rating of A-.

Other. Other includes cash and cash equivalents invested in a money market mutual fund, the fair value of which was determined by obtaining quoted prices on nationally recognized securities exchanges (level 1). In addition, other includes real estate funds, the fair value of which was determined using other inputs, such as net asset values provided by the fund administrators that could be corroborated by observable market data (level 2).

The following table provides a summary of the changes in the fair value measurements that used significant unobservable inputs (level 3) for the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016:

	Insurance Contracts
At September 25, 2015	$ 116.7
Net unrealized gains	19.7
Net purchases, sales and issuances	0.5
Currency translation	0.5
At September 30, 2016	137.4
Net unrealized gains	(12.2)
Net purchases, sales and issuances	2.0
Currency translation	(9.7)
Transfer out	(117.5)
At December 29, 2017	$ —

Mallinckrodt shares were not a direct investment of the Group's pension funds; however, the pension funds might have indirectly included Mallinckrodt shares. The aggregate amount of the Mallinckrodt shares were not material relative to the total pension fund assets.

Contributions

The Group's funding policy is to make contributions in accordance with the laws and customs of the various countries in which the Group operates, as well as to make discretionary voluntary contributions from time to time. During the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, the Group made $71.1 million and $19.6 million in contributions, respectively, to the Group's pension plans. The contributions made during the fifteen month ended December 29, 2017 included additional payments to settle the terminated plans.

Expected Future Benefit Payments

Benefit payments expected to be paid, reflecting future expected service as appropriate, are as follows:

	Pension Benefits	Postretirement Benefits
Fiscal 2018	$ 2.4	$ 3.9
Fiscal 2019	1.8	3.7
Fiscal 2020	1.8	3.5
Fiscal 2021	1.7	3.3
Fiscal 2022	1.6	3.2
Fiscal 2022 - 2025	7.5	14.2

Defined Contribution Retirement Plans

The Group maintains one active tax-qualified 401(k) retirement plan and one active non-qualified deferred compensation plan in the U.S. The 401(k) retirement plan provides for an automatic Group contribution of three percent of an eligible employee's pay, with an additional Group matching contribution generally equal to 50% of each employee's elective contribution to the plan up to six percent of the employee's eligible pay. The deferred compensation plan permits eligible employees to defer a portion of their compensation. Total defined contribution expense was $30.3 million and $27.1 million for the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively.

Rabbi Trusts and Other Investments

The Group maintains several rabbi trusts, the assets of which are used to pay retirement benefits. The rabbi trust assets are subject to the claims of the Group's creditors in the event of the Group's insolvency. Plan participants are general creditors of the Group with respect to these benefits. The trusts primarily hold life insurance policies and debt and equity securities, the value of which is included in financial assets on the consolidated balance sheets. Note 28 provides additional information regarding the debt and equity securities. The carrying value of the 124 life insurance contracts held by these trusts was $58.1 million and $59.2 million at December 29, 2017 and September 30, 2016, respectively. These contracts have a total death benefit of $145.8 million and $150.0 million at December 29, 2017 and September 30, 2016, respectively. However, there are outstanding loans against the policies amounting to $44.5 million and $43.4 million at December 29, 2017 and September 30, 2016, respectively.

The Group has insurance contracts which serve as collateral for certain of the Group's non-U.S. pension plan benefits, which totaled $8.8 million and $9.5 million at December 29, 2017 and September 30, 2016, respectively. These amounts were also included in financial assets in the consolidated balance sheets.

25. Accumulated Other Comprehensive Profit

The components of accumulated other comprehensive profit were as follows:

	Currency Translation	Unrecognized Loss on Derivatives	Unrecognized (Loss) Gain on Benefit Plans	Unrecognized Gain on Equity Securities	Total Accumulated Other Comprehensive Profit
Balance at September 25, 2015	$ 60.2	$ (6.4)	$ (52.9)	$ —	$ 0.9
Other comprehensive income (loss), net	0.8	—	(39.9)	—	(39.1)
Reclassification from other comprehensive income (loss)	(59.4)	0.5	11.5	—	(47.4)
Balance at September 30, 2016	1.6	(5.9)	(81.3)	—	(85.6)
Other comprehensive loss before reclassification	(5.1)	—	8.6	1.5	5.0
Reclassification from other comprehensive income (loss)	(4.7)	1.2	71.2	—	67.7
Balance at December 29, 2017	$ (8.2)	$ (4.7)	$ (1.5)	$ 1.5	$ (12.9)

The following summarizes reclassifications out of accumulated other comprehensive profit :

	Amount Reclassified from Accumulated Other Comprehensive Profit		
	December 29, 2017	September 30, 2016	Line Item in the Consolidated Profit and Loss Account
Amortization of unrealized loss on derivatives	$ 1.5	$ 0.7	Interest payable and similar charges
Income tax provision	(0.3)	(0.2)	Taxation charge
Net of income taxes	1.2	0.5	
Amortization of pension and post-retirement benefit plans:			
Net actuarial loss	6.3	11.4	(1)
Prior service credit	(2.5)	(2.6)	(1)
Disposal of discontinued operations	(3.1)	0.8	
Plan settlements	115.2	8.0	(1)
Total before tax	115.9	17.6	
Income tax provision	(44.7)	(6.1)	Taxation charge
Net of income taxes	71.2	11.5	
Currency translation	(4.7)	(59.4)	
Total reclassifications for the period	$ 67.7	$ (47.4)	

(1) These accumulated other comprehensive profit components are included in the computation of net periodic benefit cost. See Note 24 for additional details.

26. Guarantees

In disposing of assets or businesses, the Group has historically provided representations, warranties and indemnities to cover various risks and liabilities, including unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities related to periods prior to disposition. The Group assesses the probability of potential liabilities related to such representations, warranties and indemnities and adjusts potential liabilities as a result of changes in facts and circumstances. The Group believes, given the information currently available, that their ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

In connection with the sale of the Specialty Chemical business (formerly known as Mallinckrodt Baker) in fiscal 2010, the Group agreed to indemnify the purchaser with respect to various matters, including certain environmental, health, safety, tax and other matters. The indemnification obligations relating to certain environmental, health and safety matters have a term of 17 years from the sale, while some of the other indemnification obligations have an indefinite term. The amount of the liability relating to all of these indemnification obligations included in other liabilities on the Group's consolidated balance sheets at December 29, 2017 and September 30, 2016 was $14.9 million and $15.7 million, of which $12.1 million and $12.9 million, respectively, related to environmental, health and safety matters. The value of the environmental, health and safety indemnity was measured based on the probability-weighted present value of the costs expected to be incurred to address environmental, health and safety claims made under the indemnity. The aggregate fair value of these indemnification obligations did not differ significantly from their aggregate carrying value at December 29, 2017 and September 30, 2016. As of December 29, 2017, the maximum future payments the Group could be required to make under these indemnification obligations was $70.2 million. The Group was required to pay $30.0 million into an escrow account as collateral to the purchaser, of which $18.3 million and $19.0 million remained in other assets on the consolidated balance sheets at December 29, 2017 and September 30, 2016, respectively.

The Group has recorded liabilities for known indemnification obligations included as part of environmental liabilities, which are discussed in Note 27. In addition, the Group is liable for product performance; however the Group believes, given the information currently available, that their ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

The Group was required to provide the U.S. Nuclear Regulatory Commission financial assurance demonstrating its ability to fund the decommissioning of its Maryland Heights, Missouri radiopharmaceuticals production facility upon closure. Following the sale of the Nuclear Imaging business, the surety bond was canceled in April 2017 and the Group is no longer required to provide financial assurance to the U.S. Nuclear Regulatory Commission for that facility. As of December 29, 2017, the Group had various other letters of credit and guarantee and surety bonds totaling $28.7 million.

In addition, the separation and distribution agreement entered into with Covidien provides for cross-indemnities principally designed to place financial responsibility of the obligations and liabilities of the Group's business with the Group and financial responsibility for the obligations and liabilities of Covidien's remaining business with Covidien, among other indemnities.

27. Commitments and Contingencies

The Group has purchase obligations related to commitments to purchase certain goods and services. At December 29, 2017, such obligations were as follows:

Fiscal 2018	$	122.6
Fiscal 2019		72.3
Fiscal 2020		60.9
Fiscal 2021		16.1
Fiscal 2022		15.4

These amounts include $8.4 million related to contracted capital expenditures. As of December 29, 2017, the Mallinckrodt plc board of directors had authorized capital expenditures of $242.0 million, of which $61.1 million had not yet been contracted.

The Group is subject to various legal proceedings and claims, including patent infringement claims, product liability matters, environmental matters, employment disputes, contractual disputes and other commercial disputes, including those described below. The Group believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these matters, the Group is of the opinion, unless indicated below, given the information currently available, that their ultimate resolution will not have a material adverse effect on its financial condition, results of operations and cash flows.

Governmental Proceedings

Opioid Related Matters

Multidistrict Litigation. The Group has been named in lawsuits brought by various counties, cities, Native American tribes, hospitals, health care clinics, Medicaid managed care organizations, third-party payers and others against opioid manufacturers and, often, distributors. In general, the lawsuits assert claims of public nuisance, negligence, civil conspiracy, fraud, violations of the Racketeer Influenced and Corrupt Organizations Act or similar state laws, consumer fraud, deceptive trade practices, insurance fraud, unjust enrichment and other common law claims arising from defendants' manufacturing, distribution, marketing and promotion of opioids and seek restitution, damages, injunctive and other relief and attorneys' fees and costs. These lawsuits were originally filed against, or amended to include, the Group in various U.S. District Courts or in state courts with the state court lawsuits subsequently removed to U.S. District Court. On December 5, 2017 the Judicial Panel in Multidistrict Litigation ("JPML") issued its order establishing a Multidistrict Litigation ("MDL") in the Northern District of Ohio for opioid litigation cases and transferring those cases to the MDL that are originally filed in U.S. District Courts or removed to U.S. District Courts from state court. There are currently approximately 426 lawsuits naming the Group that are either in the MDL or are expected to be transferred to the MDL. The Group intends to vigorously defend itself in these matters.

State Court Lawsuits. On December 20, 2017, the State of New Mexico, through its Attorney General, amended its lawsuit pending in the First Judicial District Court in the County of Santa Fe against certain opioid distributors and manufacturers, to add the Group. The lawsuit asserts violations of public nuisance laws and the New Mexico Unfair Practices, Medicaid Fraud and Racketeering Acts and seeks relief similar to that sought in other state and federal actions.

In addition, the Group is currently named in 32 lawsuits pending in state courts in Alabama (2), Arkansas (1), California (11), Florida (1), Georgia (1), Louisiana (1), New Jersey (1), Ohio (1), Oklahoma (1), Pennsylvania (2), Tennessee (3), Utah (2), Virginia (2), West Virginia (2) and Wisconsin (1). These state lawsuits are brought on behalf of cities, counties, Medicaid managed care organizations, Native American tribes, individuals, and corporations that provide emergency medicine, addiction treatment and recovery services. The lawsuits assert claims and seek damages similar to those sought in the cases pending before the MDL. The Group intends to vigorously defend itself in these state court matters.

Investigations. The Group has also received various subpoenas and requests for information related to the distribution, marketing and sale of the Group's opioid products. On July 26, 2017, the Group received a subpoena from the Department of Justice ("DOJ"), on August 24, 2017, the Group received a Civil Investigative Demand ("CID") from the Missouri Attorney General's Office, on September 22, 2017, the Group received a subpoena from the New Hampshire Attorney General's Office, on January 9, 2018, the Group received a subpoena and CID from the Kentucky Attorney General's Office, on January 16, 2018, the Group received a CID from the Attorney General's Office for the State of Washington and on February 5, 2018, the Group received a subpoena from the Attorney General's Office from the State of Alaska. In addition, on January 27, 2018 the Group received a grand jury subpoena from the U.S. Attorneys' Office ("USAO") for the Southern District of Florida for documents related to the Group's distribution, marketing and sale of its oxymorphone generic products. The Group is in the process of responding to these subpoenas and CIDs.

The Group has been contacted by the coalition of State Attorneys General investigating the role manufacturers and distributors may have had in contributing to the increased use of opioids in the U.S. The Group intends to cooperate fully in these investigations.

Since these lawsuits and investigations are in early stages, the Group is unable to predict its outcome or estimate a range of reasonably possible losses.

Other Matters

Generic Pricing Subpoena. In March 2018, the Group received a grand jury subpoena issued by the U.S. District Court for the Eastern District of Pennsylvania pursuant to which the Antitrust Division of the Department of Justice is seeking documents regarding generic products and pricing, communications with generic competitors and other related matters. The Group is in the process of responding to this subpoena, and the Group intends to cooperate fully in the investigation.

SEC Subpoena. In January 2017, the Group received a subpoena from the SEC for documents related to the Group's public statements, filings and other disclosures regarding H.P. Acthar Gel turnover, profits, revenue, promotion and pricing. The Group has responded to this subpoena, and in February 2018, the SEC notified the Group that it had concluded its investigation and that no enforcement action was recommended against the Group.

Boston Subpoena. In December 2016, the Group received a subpoena from the USAO for the District of Massachusetts for documents related to the Group's provision of financial and other support to patients, including through charitable foundations, and related matters. The Group is in the process of responding to this subpoena, and the Group intends to cooperate fully in the investigation.

Texas Pricing Investigation. In November 2014, the Group received a CID from the Civil Medicaid Fraud Division of the Texas Attorney General's Office. According to the CID, the Attorney General's office is investigating the possibility of false reporting of information by the Group regarding the prices of certain of its drugs used by Texas Medicaid to establish reimbursement rates for pharmacies that dispensed the Group's drugs to Texas Medicaid recipients. The Group has responded to these requests.

Mallinckrodt Inc. v. U.S. Food and Drug Administration and United States of America. In November 2014, the Group filed a Complaint ("the Complaint") in the U.S. District Court for the District of Maryland Greenbelt Division against the FDA and the United States for judicial review of what the Group believes is the FDA's inappropriate and unlawful reclassification of the Group's Methylphenidate HCl Extended-Release tablets USP (CII) ("Methylphenidate ER") in the Orange Book: Approved Drug Products with Therapeutic Equivalence ("Orange Book") on November 13, 2014. The Group also sought a temporary restraining order ("TRO") directing the FDA to reinstate the Orange Book AB rating for the Group's Methylphenidate ER products. The court denied the Group's motion for a TRO and in July 2015, the court granted the FDA's motion to dismiss with respect to three of the five counts in the Complaint and granted summary judgment in favor of the FDA with respect to the two remaining counts. The Group appealed the court's decision to the U.S. Court of Appeals for the Fourth Circuit. On October 18, 2016, the FDA initiated proceedings, proposing to withdraw approval of the Group's Abbreviated New Drug Application ("ANDA") for Methylphenidate ER. On October 21, 2016, the United States Court of Appeals for the Fourth Circuit issued an order placing that litigation in abeyance pending the outcome of the withdrawal proceedings. The Group concurrently submitted to the FDA requests for a hearing in the withdrawal proceeding and for an extension of the deadline for submitting documentation supporting the necessity of a hearing. The FDA granted the Group's initial request to extend the deadline, and on February 21, 2017, the FDA suspended the deadline in order to give the Center for Drug Evaluation and Research ("CDER") an opportunity to complete its production of documents. CDER shared an initial set of documents with the Group in June 2017 and a second set of documents in October 2017. Following the Group's receipt of the October tranche of documents from CDER, the Group presented a supplemental document request to CDER to ensure all of its initial document requests were fulfilled, and on February 13, 2018, CDER provided a final set of documents in response to the Group's requests. The Group is preparing the legal arguments in support of its position in the withdrawal proceedings, which it will be filing in early second quarter of fiscal 2018. A potential outcome of the withdrawal proceedings is that the Group's Methylphenidate ER products may lose their FDA approval, which could have a material, negative impact to the Group's Specialty Generics segment.

FTC Investigation. In June 2014, Questcor received a subpoena and CID from the Federal Trade Commission ("FTC") seeking documentary materials and information regarding the FTC's investigation into whether Questcor's acquisition of certain rights to develop, market, manufacture, distribute, sell and commercialize MNK-1411 (the product formerly described as Synacthen Depot®) from Novartis AG and Novartis Pharma AG (collectively, "Novartis") violates antitrust laws. Subsequently, California, Maryland, Texas, Washington, New York and Alaska (collectively, "the Investigating States") commenced similar investigations focused on whether the transaction violates state antitrust laws. On January 17, 2017, the FTC, all Investigating States (except California) ("the Settling States") and the Group entered into an agreement to resolve this matter for a one-time cash payment of $102.0 million and an agreement to license MNK-1411 to a third party designated by the FTC for possible development in Infantile Spasms ("IS") and Nephrotic Syndrome ("NS") in the U.S. To facilitate that settlement, a complaint was filed on January 18, 2017, in the U.S. District Court for the District of Columbia. The settlement was approved by the court on January 30, 2017. On July 16, 2017, the Group announced the completion of the U.S. license of both the Synacthen trademark and certain intellectual property associated with MNK-1411 to West Pharmaceuticals to develop and pursue possible FDA approval of the product in IS and NS. The Group retains the right to develop MNK-1411 for all other indications in the U.S. and retains rights to the Synacthen trademark outside the U.S.

Therakos Investigation. In March 2014, the USAO for the Eastern District of Pennsylvania requested the production of documents related to an investigation of the U.S. promotion of Therakos' drug/device system UVADEX/UVAR XTS and UVADEX/CELLEX (collectively, the "Therakos System"), for indications not approved by the FDA, including treatment of patients with graft versus host disease ("GvHD") and solid organ transplant patients, including pediatric patients. The investigation also includes Therakos' efforts to secure FDA approval for additional uses of, and alleged quality issues relating to, UVADEX/UVAR. In August 2015, the USAO for the Eastern District of Pennsylvania sent Therakos a subsequent request for documents related to the investigation and has since made certain related requests. The Group is in the process of responding to these requests.

DEA Investigation. In November 2011 and October 2012, the Group received subpoenas from the U.S. Drug Enforcement Administration ("DEA") requesting production of documents relating to its suspicious order monitoring program for controlled substances. The USAO for the Eastern District of Michigan investigated the possibility that the Group failed to report suspicious orders of controlled substances during the period 2006-2011 in violation of the Controlled Substances Act and its related regulations. The USAO for the Northern District of New York and Office of Chief Counsel for the U.S. DEA investigated the possibility that the Group failed to maintain appropriate records and security measures with respect to manufacturing of certain controlled substances at its Hobart facility during the period 2012-2013. In July 2017, the Group entered into a final settlement with the DEA and the USAOs for Eastern District of Michigan and the Northern District of New York to settle these investigations. As part of the agreement, the Group paid $35.0 million to resolve all potential claims.

Questcor DOJ Investigation. In September 2012, Questcor received a subpoena from the USAO for the Eastern District of Pennsylvania for information relating to its promotional practices related to H.P. Acthar Gel. Questcor has also been informed by the USAO for the Eastern District of Pennsylvania that the USAO for the Southern District of New York and the SEC were participating in the investigation to review Questcor's promotional practices and related matters related to H.P. Acthar Gel. On March 9, 2015, the Group received a "No Action" letter from the SEC regarding its review of the Group's promotional practices related to H.P. Acthar Gel. The Group intends to cooperate fully in the investigation.

Patent Litigation

Amitiza Patent Litigation: Teva Pharmaceuticals USA, Inc. In September 2017, Sucampo AG, Sucampo Pharmaceuticals, Inc., and Takeda Pharmaceutical Company Limited, Takeda Pharmaceuticals USA, Inc., and Takeda Pharmaceuticals America, Inc. (collectively "Takeda", the exclusive licensee under the patents in litigation) filed suit in the U.S. District Court for the District of New Jersey against Teva Pharmaceuticals USA, Inc. ("Teva") alleging that Teva infringed U.S. Patent Nos. 6,414,016, 6,982,283, 7,795,312, 8,026,393, 8,071,613, 8,097,653, 8,338,639, 8,389,542 and 8,748,481 following receipt of an August 2017 notice from Teva concerning its submission of an ANDA containing a Paragraph IV patent certification with the FDA for a generic version of Amitiza.

Amitiza Patent Litigation: Amneal Pharmaceuticals LLC. In April 2017, Sucampo AG, Sucampo Pharmaceuticals, Inc., and Takeda Pharmaceutical Company Limited, Takeda Pharmaceuticals USA, Inc., and Takeda Pharmaceuticals America, Inc. (collectively "Takeda", the exclusive licensee under the patents in litigation) filed suit in the U.S. District Court for the District of New Jersey against Amneal Pharmaceuticals, LLC ("Amneal") alleging that Amneal infringed U.S. Patent Nos. 6,982,283, 8,026,393, 8,097,653, 8,338,639 and 8,389,542 following receipt of a March 2017 notice from Amneal concerning its submission of an ANDA containing a Paragraph IV patent certification with the FDA for a generic version of Amitiza.

Amitiza Patent Litigation: Par and DRL. Settlement and License Agreements were entered into with Anchen Pharmaceuticals, Inc., Par Pharmaceutical, Inc. and Par Pharmaceutical Companies, Inc. (collectively "Par") and Dr. Reddy's Laboratories, Inc. and Dr. Reddy's Laboratories, Ltd. (collectively "DRL") to settle Paragraph IV patent litigation with each of Par and DRL. Under the terms of the Par settlement dated September 30, 2014, Par was granted a non-exclusive license and right to market a competing generic of Amitiza on or after January 1, 2021, or earlier under certain circumstances. Under the terms of the DRL settlement dated September 14, 2016, DRL was granted a non-exclusive license and right to market a competing generic of Amitiza on or after January 1, 2023, or earlier under certain circumstances.

Inomax Patent Litigation: Praxair Distribution, Inc. and Praxair, Inc. (collectively "Praxair"). In February 2015, INO Therapeutics LLC and Ikaria, Inc., subsidiaries of the Group, filed suit in the U.S. District Court for the District of Delaware against Praxair following receipt of a January 2015 notice from Praxair concerning its submission of an ANDA containing a Paragraph IV patent certification with the FDA for a generic version of Inomax. In July 2016, the Group filed a second suit against Praxair in the U.S. District Court for the District of Delaware following receipt of a Paragraph IV notice concerning three additional patents recently added to the FDA Orange Book that was submitted by Praxair regarding its ANDA for a generic version of Inomax. The infringement claims in the second suit have been added to the original suit. In September 2016, the Group filed a third suit against Praxair in the U.S. District Court for the District of Delaware following receipt of a Paragraph IV notice concerning a fourth patent recently added to the FDA Orange Book that was submitted by Praxair regarding its ANDA for a generic version of Inomax.

The Group intends to vigorously enforce its intellectual property rights relating to Inomax in both the Inter Partes Review ("IPR") and Praxair litigation proceedings to prevent the marketing of infringing generic products prior to the expiration of the patents covering Inomax. Trial of the suit filed in February 2015 was held in March 2017 and a decision was rendered September 5, 2017 that ruled five patents invalid and six patents not infringed. The Group has appealed the decision to the Court of Appeals for the Federal Circuit. An adverse outcome in the appeal of the Praxair litigation decision ultimately could result in the launch of a generic version of Inomax before the expiration of the last of the listed patents on May 3, 2036 (November 3, 2036 including pediatric exclusivity), which could adversely affect the Group's ability to successfully maximize the value of Inomax and have an adverse effect on its financial condition, results of operations and cash flows.

Inomax Patents: IPR Proceedings. In February 2015 and March 2015, the U.S. Patent and Trademark Office ("USPTO") issued Notices of Filing Dates Accorded to Petitions for IPR petitions filed by Praxair Distribution, Inc. concerning ten patents covering Inomax (i.e., five patents expiring in 2029 and five patents expiring in 2031).

In July 2015 the USPTO Patent Trial and Appeal Board ("PTAB") issued rulings denying the institution of four of the five IPR petitions challenging the five patents expiring in 2029. The PTAB also issued a ruling in July 2015 that instituted the IPR proceeding in the fifth of this group of patents and the PTAB ruled in July 2016 that one claim of this patent survived review and is valid while the remaining claims were unpatentable. The Group believes the valid claim describes and encompasses the manner in which Inomax is distributed in conjunction with its approved labeling and that Praxair infringes that claim. Praxair filed an appeal and Mallinckrodt filed a cross-appeal of this decision to the Court of Appeals for the Federal Circuit. Oral argument of that appeal occurred on January 9, 2017. In March 2016, Praxair Distribution, Inc. submitted additional IPR petitions for the five patents expiring in 2029. The PTAB issued non-appealable rulings in August and September 2016 denying institution of all five of these additional IPR petitions.

In September 2015 the USPTO PTAB issued rulings that instituted the IPR proceedings in each of the second set of five patents that expire in 2031. In September 2016 the PTAB ruled that all claims in the five patents expiring in 2031 are patentable.

Ofirmev Patent Litigation: Aurobindo Pharma U.S.A., Inc. In December 2017, Mallinckrodt Hospital Products Inc. and Mallinckrodt IP Unlimited Group, subsidiaries of the Group, and New Pharmatop LP, the current owner of the two U.S. patents licensed exclusively by the Group, filed suit in the U.S. District Court for the District of Delaware against Aurobindo Pharma U.S.A., Inc. ("Aurobindo") alleging that Aurobindo infringed U.S. Patent No. 6,992,218 ("the '218 patent"), U.S. Patent No. 9,399,012 ("the '012 patent") and U.S. Patent No. 9,610,265 ("the '265 patent") following receipt of a November 2017 notice from Aurobindo concerning its submission of an ANDA, containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev.

Ofirmev Patent Litigation: B. Braun Medical Inc. In April 2017, Mallinckrodt Hospital Products Inc. and Mallinckrodt IP, subsidiaries of the Group, and Pharmatop, the then owner of the two U.S. patents licensed exclusively by the Group, filed suit in the U.S. District Court for the District of Delaware against B. Braun Medical Inc. ("B. Braun") alleging that B. Braun infringed the '218 patent and the '012 patent following receipt of a February 2017 notice from B. Braun concerning its submission of a New Drug Application ("NDA"), containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev. Following receipt of a second Paragraph IV notice letter from B. Braun on April 24, 2017 directed to the '012 patent, Mallinckrodt Hospital Products Inc. and Mallinckrodt IP filed suit in June 2017 in the U.S. District Court for the District of Delaware against B. Braun alleging that B. Braun infringed the '012 patent and the '265 patent. In both instances, a protective suit was filed in the U.S. District Court for the Eastern District of Pennsylvania to protect the 30-month stay against any venue challenge in Delaware. In July 2017, B. Braun filed motions to dismiss both actions in Delaware due to improper venue based on the recent U.S. Supreme Court *TC Heartland* decision on venue in patent cases, and also filed a separate motion to dismiss in the original action in Pennsylvania. Following receipt of a third Paragraph IV notice letter from B. Braun on July 13, 2017 that included a certification to the '265 patent, amended complaints were filed in July 2017 in the U.S. District Courts for the Districts of Delaware and Eastern District of Pennsylvania by Mallinckrodt Hospital Products Inc., Mallinckrodt IP and Pharmatop. Also in July 2017, Mallinckrodt Hospital Products Inc., Mallinckrodt IP and Pharmatop filed a motion to stay the action in the Eastern District of Pennsylvania. A hearing occurred August 24, 2017 in the U.S. District Court for the District of Delaware regarding B. Braun's motion to dismiss the Delaware actions for improper venue. A scheduling conference occurred October 4, 2017 in the U.S. District Court for the Eastern District of Pennsylvania and no decisions were rendered on any of the pending motions. The judge in the Delaware District Court denied B. Braun's motion to dismiss the amended complaint without prejudice and ordered venue-related discovery on December 14, 2017. Subsequently, B. Braun withdrew the challenge to venue in Delaware but proceeded to file new motions to dismiss the Delaware actions on December 28, 2017. The actions in the U.S. District Court for the Eastern District of Pennsylvania were dismissed by stipulation on December 28, 2017.

Ofirmev Patent Litigation: InnoPharma Licensing LLC and InnoPharma, Inc. In September 2014, Cadence and Mallinckrodt IP, subsidiaries of the Group, and Pharmatop, the then owner of the two U.S. patents licensed exclusively by the Group, filed suit in the U.S. District Court for the District of Delaware against InnoPharma Licensing LLC and InnoPharma, Inc. (both are subsidiaries of Pfizer and collectively "InnoPharma") alleging that InnoPharma infringed U.S. Patent Nos. 6,028,222 ("the '222 patent") and 6,992,218 ("the '218 patent") following receipt of an August 2014 notice from InnoPharma concerning its submission of a NDA, containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev. Separately, on December 1, 2016 Mallinckrodt IP Filed suit in the U.S. District Court for the District of Delaware against InnoPharma alleging that InnoPharma infringed the '012 patent. On May 4, 2017 the parties entered into settlement agreements on both suits under which InnoPharma was granted the non-exclusive right to market a competing intravenous acetaminophen product in the U.S. under its NDA on or after December 6, 2020, or earlier under certain circumstances.

Ofirmev Patent Litigation: Agila Specialties Private Limited, Inc. (now Mylan Laboratories Ltd.) and Agila Specialties Inc. (a Mylan Inc. Group), (collectively "Agila"). In December 2014, Cadence and Mallinckrodt IP, subsidiaries of the Group, and Pharmatop, the then owner of the two U.S. patents licensed exclusively by the Group, filed suit in the U.S. District Court for the District of Delaware against Agila alleging that Agila infringed the '222 and the '218 patents following receipt of a November 2014 notice from Agila concerning its submission of a NDA containing a Paragraph IV patent certification with the FDA for a competing version of Ofirmev. Separately, on December 1, 2016 Mallinckrodt IP filed suit in the U.S. District Court for the District of Delaware against Agila alleging that Agila infringed the '012 patent. On December 31, 2016, the parties entered into settlement agreements on both suits under which Agila was granted the non-exclusive right to market a competing intravenous acetaminophen product in the U.S. under its NDA on or after December 6, 2020, or earlier under certain circumstances.

The Group has successfully asserted the '222 and '218 patents and maintained their validity in both litigation and proceedings at the USPTO. The Group will continue to vigorously enforce its intellectual property rights relating to Ofirmev to prevent the marketing of infringing generic or competing products prior to December 6, 2020, which, if unsuccessful, could adversely affect the Group's ability to successfully maximize the value of Ofirmev and have an adverse effect on its financial condition, results of operations and cash flows.

Tyco Healthcare Group LP, et al. v. Mutual Pharmaceutical Group, Inc. In March 2007, the Group filed a patent infringement suit in the U.S. District Court for the District of New Jersey against Mutual Pharmaceutical Co., Inc., et al. (collectively, "Mutual") after Mutual submitted an ANDA to the FDA seeking to sell a generic version of the Group's 7.5 mg RESTORIL™ sleep aid product. Mutual also filed antitrust and unfair competition counterclaims. The patents at issue have since expired or been found invalid. The trial court issued an opinion and order granting the Group's motion for summary judgment regarding Mutual's antitrust and unfair competition counterclaims. Mutual appealed this decision to the U.S. Court of Appeals for the Federal Circuit and the Federal Circuit issued a split decision, affirming the trial court in part and remanding to the trial court certain counterclaims for further proceedings. The Group filed a motion for summary judgment with the U.S. District Court regarding the remanded issues. In May 2015, the trial court issued an opinion granting-in-part and denying-in-part the Group's motion for summary judgment. In March 2017, the parties entered into a settlement agreement and the case was dismissed.

Jazz Pharmaceuticals, Inc. and Jazz Pharmaceuticals Ireland v. Mallinckrodt PLC, Mallinckrodt Inc. and Mallinckrodt LLC. In January 2018, Jazz Pharmaceuticals, Inc. and Jazz Pharmaceuticals Ireland ("Jazz") filed suit in the U.S. District Court for the District of New Jersey against the Group alleging that the Group infringed United States Patent Nos. 7,668,730 (the "'730 patent"), 7,765,106 (the "'106 patent"), 7,765,107 (the "'107 patent"), 7,895,059 (the "'059 patent"), 8,457,988 (the "'988 patent"), 8,589,182 (the "'182 patent"), 8,731,963 (the "'963 patent"), 8,772,306 (the "'306 patent"), 9,050,302 (the

"'302 patent"), and 9,486,426 (the "'426 patent") following receipt of a November 2017 notice from the Group concerning its submission of an ANDA, containing a Paragraph IV patent certification with the FDA for a competing version of Xyrem.

Commercial and Securities Litigation

Putative Class Action Litigation (MSP). On October 30, 2017, a putative class action lawsuit was filed against the Group and United BioSource Corporation ("UBC") in the U.S. District Court for the Central District of California. The case is captioned *MSP Recovery Claims, Series II LLC, et al. v. Mallinckrodt ARD, Inc., et al.* The complaint purports to be brought on behalf of two classes: all Medicare Advantage Organizations and related entities in the U.S. who purchased or provided reimbursement for H.P. Acthar Gel pursuant to (i) Medicare Part C contracts (Class 1) and (ii) Medicare Part D contracts (Class 2) since January 1, 2011, with certain exclusions. The complaint alleges that the Group engaged in anticompetitive, unfair, and deceptive acts to artificially raise and maintain the price of H.P. Acthar Gel. To this end, the complaint alleges that the Group unlawfully maintained a monopoly in a purported ACTH product market by acquiring the U.S. rights to Synacthen Depot and reaching anti-competitive agreements with the other defendants by selling H.P. Acthar Gel through an exclusive distribution network. The complaint purports to allege claims under federal and state antitrust laws and state unfair competition and unfair trade practice laws. Pursuant to a motion filed by defendants, this case has been transferred to the U.S. District Court for the Northern District of Illinois. The Group intends to vigorously defend itself in this matter.

Putative Class Action Litigation. On April 6, 2017, a putative class action lawsuit was filed against the Group and UBC in the U.S. District Court for the Northern District of Illinois. The case is captioned *City of Rockford v. Mallinckrodt ARD, Inc., et al.* The complaint was subsequently amended, most recently on December 8, 2017, to include an additional named plaintiff and additional defendants. As amended, the complaint purports to be brought on behalf of all self-funded entities in the U.S. and its Territories, excluding any Medicare Advantage Organizations, related entities and certain others, that paid for H.P. Acthar Gel from August 2007 to the present. The lawsuit alleges that the Group engaged in anticompetitive, unfair, and deceptive acts to artificially raise and maintain the price of H.P. Acthar Gel. To this end, the suit alleges that the Group unlawfully maintained a monopoly in a purported ACTH product market by acquiring the U.S. rights to Synacthen Depot; conspired with UBC and violated anti-racketeering laws by selling H.P. Acthar Gel through an exclusive distributor; and committed a fraud on consumers by failing to correctly identify H.P. Acthar Gel's active ingredient on package inserts. The Group intends to vigorously defend itself in this matter.

Employee Stock Purchase Plan Securities Litigation. On July 20, 2017, a purported purchaser of Mallinckrodt stock through Mallinckrodt's Employee Stock Purchase Plans ("ESPPs"), filed a derivative lawsuit in the Federal District Court in the Eastern District of Missouri, captioned *Solomon v. Mallinckrodt plc, et al.*, against the Group, its Chief Executive Officer Mark C. Trudeau ("CEO"), its Chief Financial Officer Matthew K. Harbaugh ("CFO"), its Controller Kathleen A. Schaefer, and current and former directors of the Group. On September 6, 2017, plaintiff voluntarily dismissed its complaint in the Federal District Court for the Eastern District of Missouri and refiled virtually the same complaint in the U.S. District Court for the District of Columbia. The complaint purports to be brought on behalf of all persons who purchased or otherwise acquired Mallinckrodt stock between November 25, 2014, and January 18, 2017, in the ESPPs. In the alternative, the plaintiff alleges a class action for those same purchasers/acquirers of stock in the ESPPs during the same period. The complaint asserts claims under Section 11 of the Securities Act, and for breach of fiduciary duty, misrepresentation, non-disclosure, mismanagement of the ESPPs' assets and breach of contract arising from substantially similar allegations as those contained in the putative class action securities litigation described in the following paragraph. Stipulated co-lead plaintiffs were approved by the court on March 1, 2018. The Group intends to vigorously defend itself in this matter.

Putative Class Action Securities Litigation. On January 23, 2017, a putative class action lawsuit was filed against the Group and its CEO in the U.S. District Court for the District of Columbia, captioned *Patricia A. Shenk v. Mallinckrodt plc, et al.* The complaint purports to be brought on behalf of all persons who purchased Mallinckrodt's publicly traded securities on a domestic exchange between November 25, 2014 and January 18, 2017. The lawsuit generally alleges that the Group made false or misleading statements related to H.P. Acthar Gel and Synacthen to artificially inflate the price of the Group's stock. In particular, the complaint alleges a failure by the Group to provide accurate disclosures concerning the long-term sustainability of H.P. Acthar Gel revenues, and the exposure of H.P. Acthar Gel to Medicare and Medicaid reimbursement rates. On January 26, 2017, a second putative class action lawsuit, captioned *Jyotindra Patel v. Mallinckrodt plc, et al.* was filed against the same defendants named in the *Shenk* lawsuit in the U.S. District Court for the District of Columbia. The *Patel* complaint purports to be brought on behalf of shareholders during the same period of time as that set forth in the *Shenk* lawsuit and asserts claims similar to those set forth in the *Shenk* lawsuit. On March 13, 2017, a third putative class action lawsuit, captioned *Amy T. Schwartz, et al., v. Mallinckrodt plc, et al.,* was filed against the same defendants named in the *Shenk* lawsuit in the U.S. District Court for the District of Columbia. The *Schwartz* complaint purports to be brought on behalf of shareholders who purchased shares of the Group between July 14, 2014 and January 18, 2017 and asserts claims similar to those set forth in the *Shenk* lawsuit. On March 23, 2017, a fourth putative class action lawsuit, captioned *Fulton County Employees' Retirement System v. Mallinckrodt plc, et al.,* was filed against the Group and its CEO and CFO in the U.S. District Court for the District of

Columbia. The *Fulton County* complaint purports to be brought on behalf of shareholders during the same period of time as that set forth in the *Schwartz* lawsuit and asserts claims similar to those set forth in the *Shenk* lawsuit. On March 27, 2017, four separate plaintiff groups moved to consolidate the pending cases and to be appointed as lead plaintiffs in the consolidated case. Since that time, two of the plaintiff groups have withdrawn their motions. Lead plaintiff was designated by the court on March 9, 2018. The Group intends to vigorously defend itself in this matter.

Retrophin Litigation. In January 2014, Retrophin, Inc. ("Retrophin") filed a lawsuit against Questcor in the U.S. District Court for the Central District of California, alleging a variety of federal and state antitrust violations based on Questcor's acquisition from Novartis of certain rights to develop, market, manufacture, distribute, sell and commercialize Synacthen. In June 2015, the parties entered into a binding settlement agreement, under the terms of which Retrophin agreed to dismiss the litigation with prejudice and Questcor agreed to make a one-time cash payment to Retrophin in the amount of $15.5 million.

Put Options Securities Action. In March 2013, individual traders of put options filed a securities complaint in the United States District Court for the Central District of California captioned *David Taban, et al. v. Questcor Pharmaceuticals, Inc.*, No. SACV13-0425. The complaint generally asserted claims against Questcor and certain of its officers and directors for violations of the Securities Exchange Act of 1934 ("the Exchange Act") and for state law fraud and fraudulent concealment based on allegations similar to those asserted in the putative securities class action described above. The complaint sought compensatory and punitive damages of an unspecified amount. Following the resolution of the motion to dismiss in the consolidated putative securities class action, the court issued an order staying this action until the earlier of: (a) sixty (60) days after the resolution of any motion for summary judgment filed in the putative class action lawsuit, (b) sixty (60) days after the deadline to file a motion for summary judgment in the putative class action lawsuit, if none is filed, or (c) the execution of any settlement agreement (including any partial settlement agreement) to resolve the putative class action lawsuit. In May 2015, the parties entered into a binding settlement agreement, under the terms of which plaintiffs agreed to dismiss the litigation with prejudice and Questcor agreed to make a one-time cash payment to plaintiffs.

Federal Shareholder Derivative Litigation. On October 4, 2012, another alleged shareholder filed a derivative lawsuit in the United States District Court for the Central District of California captioned *Gerald Easton v. Don M. Bailey, et al.*, No. SACV12-01716 DOC (JPRx). The suit asserted claims substantially identical to those asserted in the *do Valle* derivative action described below against the same defendants. This lawsuit was consolidated with five subsequently-filed actions asserting similar claims under the caption: *In re Questcor Shareholder Derivative Litigation*, CV 12- 01716 DMG (FMOx). Following the resolution of the motion to dismiss in the consolidated putative securities class action, the court issued an order staying the federal derivative action until the earlier of: (a) 60 days after the resolution of any motion for summary judgment filed in the putative class action lawsuit, (b) 60 days after the deadline to file a motion for summary judgment in the putative class action lawsuit, if none is filed, or (c) the execution of any settlement agreement (including any partial settlement agreement) to resolve the putative class action lawsuit. In July 2015, the parties stipulated to a dismissal of the derivative case and Questcor agreed to make a one-time cash payment to plaintiffs in the form of a mootness fee.

Putative Class Action Securities Litigation. In September 2012, a putative class action lawsuit was filed against Questcor and certain of its officers and directors in the U.S. District Court for the Central District of California, captioned *John K. Norton v. Questcor Pharmaceuticals, et al.*, No. SACvl2-1623 DMG (FMOx). The complaint purported to be brought on behalf of shareholders who purchased Questcor common stock between April 26, 2011 and September 21, 2012. The complaint generally alleged that Questcor and certain of its officers and directors engaged in various acts to artificially inflate the price of Questcor stock and enable insiders to profit through stock sales. The complaint asserted that Questcor and certain of its officers and directors violated sections 10(b) and/or 20(a) of the Exchange Act, as amended, by making allegedly false and/or misleading statements concerning the clinical evidence to support the use of H.P. Acthar Gel for indications other than infantile spasms, the promotion of the turnover and use of H.P. Acthar Gel in the treatment of multiple sclerosis and nephrotic syndrome, reimbursement for H.P. Acthar Gel from third-party insurers, and Questcor's outlook and potential market growth for H.P. Acthar Gel. The complaint sought damages in an unspecified amount and equitable relief against the defendants. This lawsuit was consolidated with four subsequently-filed actions asserting similar claims under the caption: *In re Questcor Securities Litigation*, No. CV 12-01623 DMG (FMOx). In October 2013, the District Court granted in part and denied in part Questcor's motion to dismiss the consolidated amended complaint. In October 2013, Questcor filed an answer to the consolidated amended complaint and fact discovery was concluded in January 2015. In April 2015, the parties executed a long-form settlement agreement, under the terms of which Questcor agreed to pay $38.0 million to resolve the plaintiff claims, inclusive of all fees and costs. Questcor and the individual defendants maintain that the plaintiffs' claims are without merit, and have entered into the settlement to eliminate the uncertainties, burden and expense of further protracted litigation. During fiscal year ended September 25, 2015, the Group established a $38.0 million reserve for this settlement, which was subsequently paid to a settlement fund. The court issued its final approval of the settlement on September 18, 2015.

Glenridge Litigation. In June 2011, Glenridge Pharmaceuticals LLC ("Glenridge"), filed a lawsuit against Questcor in the Superior Court of California, Santa Clara County, alleging that Questcor had underpaid royalties to Glenridge under a royalty agreement related to turnover of H.P. Acthar Gel. In August 2012, Questcor filed a separate lawsuit against the three principals of Glenridge, as well as Glenridge, challenging the enforceability of the royalty agreement. In August 2013, the two lawsuits were consolidated into one case in the Superior Court of California, Santa Clara County. In October 2014, the parties entered into a binding term sheet settling the lawsuit. Under the terms of the settlement, the royalty rate payable by Questcor was reduced, royalties were capped instead of being payable for so long as H.P. Acthar Gel was sold and Questcor agreed to pay Glenridge a reduced amount in satisfaction of royalties Questcor had previously accrued but not paid during the course of the lawsuit. In February 2015, the settlement agreement was finalized, with terms consistent with the October 2014 term sheet.

Pricing Litigation

State of Utah v. Apotex Corp., et al. The Group, along with several other pharmaceutical companies, was a defendant in this matter which was filed in May 2008, in the Third Judicial Circuit of Salt Lake County, Utah. The State of Utah alleged, generally, that the defendants reported false pricing information in connection with certain drugs that were reimbursable under Utah Medicaid, resulting in overpayment by Utah Medicaid for those drugs, and sought monetary damages and attorneys' fees. The Group believes that it had meritorious defenses to these claims and vigorously defended against them. In December 2015, the parties entered into a binding settlement agreement, under the terms of which the State of Utah agreed to dismiss the litigation with prejudice and the Group agreed to make a one-time cash payment to the State of Utah within the reserve established for this matter.

Environmental Remediation and Litigation Proceedings

The Group is involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites, including those described below. The ultimate cost of site cleanup and timing of future cash outlays is difficult to predict, given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations and alternative cleanup methods. The Group concluded that, as of December 29, 2017, it was probable that it would incur remediation costs in the range of $37.6 million to $115.5 million. The Group also concluded that, as of December 29, 2017, the best estimate within this range was $75.4 million, of which $2.2 million was included in accrued and other current liabilities and the remainder was included in environmental liabilities on the consolidated balance sheet at December 29, 2017. While it is not possible at this time to determine with certainty the ultimate outcome of these matters, the Group believes, given the information currently available, that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Crab Orchard National Wildlife Refuge Superfund Site, near Marion, Illinois. The Group is a successor in interest to International Minerals and Chemicals Corporation ("IMC"). Between 1967 and 1982, IMC leased portions of the Additional and Uncharacterized Sites ("AUS") Operable Unit at the Crab Orchard Superfund Site ("the Site") from the government and manufactured various explosives for use in mining and other operations. In March 2002, the DOJ, the U.S. Department of the Interior and the U.S. Environmental Protection Agency ("EPA") (together, "the Government Agencies") issued a special notice letter to General Dynamics Ordnance and Tactical Systems, Inc. ("General Dynamics"), one of the other potentially responsible parties ("PRPs") at the Site, to compel General Dynamics to perform the remedial investigation and feasibility study ("RI/FS") for the AUS Operable Unit. General Dynamics negotiated an Administrative Order on Consent ("AOC") with the Government Agencies to conduct an extensive RI/FS at the Site under the direction of the U.S. Fish and Wildlife Service. General Dynamics asserted in August 2004 that the Group is jointly and severally liable, along with approximately eight other lessees and operators at the AUS Operable Unit, for alleged contamination of soils and groundwater resulting from historic operations, and has threatened to file a contribution claim against the Group and other parties for recovery of its costs incurred in connection with the RI/FS activities being conducted at the AUS Operable Unit. The Group and other PRPs who received demand letters from General Dynamics have explored settlement alternatives, but have not reached settlement to date. General Dynamics has completed the RI and initiated the FS, and the PRPs agreed to enter into non-binding mediation. While it is not possible at this time to determine with certainty the ultimate outcome of this case, the Group believes, given the information currently available, that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Mallinckrodt Veterinary, Inc., Millsboro, Delaware. The Group previously operated a plant in Millsboro, Delaware ("the Millsboro Site") that manufactured various animal healthcare products. In 2005, the Delaware Department of Natural Resources and Environmental Control found trichloroethylene ("TCE") in the Millsboro public water supply at levels that exceeded the federal drinking water standards. Further investigation to identify the TCE plume in the ground water indicated that the plume has extended to property owned by a third party near the Millsboro Site. The Group, and another former owner, assumed responsibility for the Millsboro Site cleanup under the Alternative Superfund Program administered by the EPA. The Group and another PRP entered into two AOCs with the EPA to perform investigations to abate, mitigate or eliminate the release or threat of release of hazardous substances at the Millsboro Site and to conduct an Engineering Evaluation/Cost Analysis ("EE/CA") to characterize the nature and extent of the contamination. In January 2017, the EPA issued its Action memorandum regarding the EE/CA. The parties have negotiated a third AOC to implement the removal action. This third AOC replaces the first two AOCs, and became effective August 8, 2017. While it is not possible at this time to determine with certainty the ultimate outcome of this matter, the Group believes, given the information currently available, that the ultimate resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Coldwater Creek, Saint Louis County, Missouri. The Group is named as a defendant in numerous tort complaints filed in and subsequent to February 2012 with numerous plaintiffs pending in the U.S. District Court for the Eastern District of Missouri. These cases allege personal injury for alleged exposure to radiological substances, including in Coldwater Creek in Missouri, and in the air. Plaintiffs allegedly lived and/or worked in various locations in Saint Louis County, Missouri near Coldwater Creek. Radiological residues which may have been present in the creek have previously been remediated by the U.S. Army Corps of Engineers ("USACE"). The USACE continues to study and remediate the creek and surrounding areas. The Group believes that it has meritorious defenses to these complaints and is vigorously defending against them. The Group is unable to estimate a range of reasonably possible losses for the following reasons: (i) the proceedings are in intermediate stages; (ii) the Group has not received and reviewed complete information regarding the plaintiffs and their medical conditions; and (iii) there are significant factual and scientific issues to be resolved. An initial group of bellwether plaintiffs have been selected by the court and discovery is ongoing. While it is not possible at this time to determine with certainty the ultimate outcome of this case, the Group believes, given the information currently available, that the final resolution of all known claims, after taking into account amounts already accrued, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Lower Passaic River, New Jersey. The Group and approximately 70 other companies originally comprised the Lower Passaic Cooperating Parties Group ("the CPG") and are parties to a May 2007 AOC with the EPA to perform a RI/FS of the 17-mile stretch known as the Lower Passaic River Study Area ("the River"). The Group's potential liability stems from former operations at Lodi and Belleville, New Jersey. In June 2007, the EPA issued a draft Focused Feasibility Study ("FFS") that considered interim remedial options for the lower 8-miles of the river, in addition to a "no action" option. As an interim step related to the 2007 AOC, the CPG voluntarily entered into an AOC on June 18, 2012 with the EPA for remediation actions focused solely at mile 10.9 of the River. The Group's estimated costs related to the RI/FS and focused remediation at mile 10.9, based on interim allocations, are immaterial and have been accrued.

In April 2014, the EPA issued its revised FFS, with remedial alternatives to address cleanup of the lower 8-mile stretch of the River, which also included a "no action" option. The EPA estimates the cost for the alternatives range from $365.0 million to $3.2 billion. The EPA's preferred approach would involve bank-to-bank dredging of the lower 8-mile stretch of the River and installing an engineered cap at a discounted, estimated cost of $1.7 billion. Based on the issuance of the EPA's revised FFS, the Group recorded a $23.1 million accrual in fiscal year ended September 26, 2014 representing the estimate of its allocable share of the joint and several remediation liability resulting from this matter.

In April 2015, the CPG presented a draft of the RI/FS of the River to the EPA. The CPG's RI/FS included alternatives that ranged from "no action," targeted remediation of the entire 17-mile stretch of the River to remedial actions consistent with the EPA's preferred approach for the lower 8-mile stretch of the River and also included remediation alternatives for the upper 9-mile stretch of the River. The discounted cost estimates for the CPG remediation alternatives ranged from $483.4 million to $2.7 billion. The Group recorded an additional charge of $13.3 million in the second quarter of fiscal year ended September 26, 2014 based on the Group's estimate of its allocable share of the joint and several remediation liability resulting from this matter.

On November 20, 2015, the Group withdrew from the CPG, but remains liable for its obligations under the two above-referenced AOCs, as well as potential future liabilities. On March 4, 2016, the EPA issued the Record of Decision ("ROD") for the lower 8 miles of the River. The EPA's selected remedy for this stretch of the River was a slight modification of the preferred approach it identified in the revised FFS issued in April 2014. The new discounted, estimated cost is $1.38 billion. By letter dated March 31, 2016, EPA notified the Group, and approximately 98 other parties, of the Group's potential liability for the lower 8 miles of the River. The letter also announced the EPA's intent to seek to determine whether one company, Occidental Chemicals Corporation ("OCC"), would voluntarily enter into an agreement to perform the remedial design for the remedy selected in the ROD. The letter stated that, after execution of such an agreement, EPA planned to begin negotiation of an agreement under which OCC and the other major PRPs would implement and/or pay for the EPA's selected remedy for the lower 8 miles of the River. Finally, the letter announced EPA's intent to provide a separate notice to unspecified parties of the opportunity to discuss a cash out settlement for the lower 8 miles of the River at a later date. On October 5, 2016, EPA announced that OCC had entered into an agreement to develop the remedial design.

By letter dated March 30, 2017, the EPA notified the Group, limited to its former Lodi facility, and nineteen other PRPs of their eligibility to enter into a cash out settlement for the lower 8 miles of the River. In exchange for the settlement, the Group would receive, *inter alia*, a covenant not to sue and contribution protection. There is no reopener provision should costs exceed estimated amounts. The Group submitted the executed settlement agreement to EPA on July 26, 2017. The settlement was announced in the Federal Register on January 12, 2018, with a 30-day period for public comment that has since ended, after which EPA will determine whether to proceed with the settlement.

Despite the issuance of the revised FFS and ROD by the EPA, and the RI/FS by the CPG, there are many uncertainties associated with the final agreed-upon remediation and the Group's allocable share of the remediation. Given those uncertainties, the amounts accrued may not be indicative of the amounts for which the Group may be ultimately responsible and will be refined as the remediation progresses.

Products Liability Litigation

Beginning with lawsuits brought in July 1976, the Group is also named as a defendant in personal injury lawsuits based on alleged exposure to asbestos-containing materials. A majority of the cases involve product liability claims based principally on allegations of past distribution of products containing asbestos. A limited number of the cases allege premises liability based on claims that individuals were exposed to asbestos while on the Group's property. Each case typically names dozens of corporate defendants in addition to the Group. The complaints generally seek monetary damages for personal injury or bodily injury resulting from alleged exposure to products containing asbestos. The Group's involvement in asbestos cases has been limited because it did not mine or produce asbestos. Furthermore, in the Group's experience, a large percentage of these claims have never been substantiated and have been dismissed by the courts. The Group has not suffered an adverse verdict in a trial court proceeding related to asbestos claims and intends to continue to defend these lawsuits. When appropriate, the Group settles claims; however, amounts paid to settle and defend all asbestos claims have been immaterial. As of December 29, 2017, there were approximately 11,600 asbestos-related cases pending against the Group.

The Group estimates pending asbestos claims, claims that were incurred but not reported and related insurance recoveries, which are recorded on a gross basis in the consolidated balance sheets. The Group's estimate of its liability for pending and future claims is based on claims experience over the past five years and covers claims either currently filed or expected to be filed over the next seven years. The Group believes that it has adequate amounts recorded related to these matters. While it is not possible at this time to determine with certainty the ultimate outcome of these asbestos-related proceedings, the Group believes, given the information currently available, that the ultimate resolution of all known and anticipated future claims, after taking into account amounts already accrued, along with recoveries from insurance, will not have a material adverse effect on its financial condition, results of operations and cash flows.

Asset Retirement Obligations

The Group has recorded asset retirement obligations for the estimated future costs primarily associated with legal obligations to decommission facilities within the Nuclear Imaging segment, including the facilities located in Petten, the Netherlands and Maryland Heights, Missouri. Substantially all of these obligations are included in provision for liabilities on the consolidated balance sheets. The following table provides a summary of the changes in the Group's asset retirement obligations for the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016:

	2017	2016
Balance at beginning of period	$ 39.2	$ 38.3
Additions and adjustments	—	3.8
Disposals	(42.1)	(5.1)
Accretion expense	0.8	2.2
Other, including currency translation	4.0	—
Balance at end of period	$ 1.9	$ 39.2

The Group believes that any potential payment of such estimated amounts will not have a material adverse effect on its financial condition, results of operations and cash flows.

Industrial Revenue Bonds

Through December 29, 2017, the Group exchanged title to $16.0 million of its plant assets in return for an equal amount of Industrial Revenue Bonds ("IRB") issued by Saint Louis County. The Group also simultaneously leased such assets back from Saint Louis County under capital leases expiring through December 2025, the terms of which provide it with the right of offset against the IRBs. The lease also provides an option for the Group to repurchase the assets at the end of the lease for nominal consideration. These transactions collectively result in a ten-year property tax abatement from the date the property is placed in service. Due to the right of offset, the capital lease obligation and IRB asset are recorded net in the consolidated balance sheets. The Group expects that the right of offset will be applied to payments required under these arrangements.

Interest-Bearing Deferred Tax Obligations

As part of the integration of Questcor, the Group entered into an internal installment sale transaction related to certain H.P. Acthar Gel intangible assets during the three months ended December 26, 2014. Installment sale transactions result in a taxable gain. In accordance with Internal Revenue Code Section 453A ("Section 453A") the gain is considered taxable in the period in which installment payments are received. During the three months ended December 25, 2015, the Group entered into similar transactions with certain intangible assets acquired in the Ikaria Acquisition and Therakos Acquisition. During the three months ended March 31, 2017, the Group sold its Intrathecal Therapy business with a portion of the consideration from the sale being in the form of a note receivable subject to the installment sale provisions described above. The interest-bearing deferred tax liabilities associated with installment notes decreased from $1,883.7 million at September 30, 2016 to $553.5 million at December 29, 2017 primarily attributable to decreases of $679.3 million related to the Reorganization, $351.8 million related to the TCJA, and $353.0 million related to current period payments and tax attribute offsets, partially offset by an increase of $53.9 million related to the sale of the Intrathecal Therapy business.

The GAAP calculation of interest associated with these deferred tax liabilities is subject to variable interest rates. The Group recognized interest expense associated with the Section 453A deferred tax liabilities of $85.2 million and $73.8 million, during the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively. The fifteen months ended December 29, 2017 includes a one-time charge of $8.4 million resulting primarily from the Reorganization.

The Group has reported Section 453A interest on its tax returns on the basis of its interpretation of the U.S. Internal Revenue Code and Regulations. Alternative interpretations of these provisions could result in additional interest payable on the deferred tax liability. Due to the inherent uncertainty in these interpretations, the Group has deferred the recognition of the benefit associated with the Group’s interpretation and maintains a corresponding liability of $46.0 million and $25.7 million as of December 29, 2017 and September 30, 2016, respectively. This balance is expected to increase over future periods until such uncertainty is resolved. Favorable resolution of this uncertainty would likely result in a material reversal of this liability and a benefit being recorded to interest expense within the consolidated statements of income.

Leases

The Group has facility, vehicle and equipment leases that expire at various dates. Rental expense under facility, vehicle and equipment operating leases related to continuing operations was $38.1 million and $27.7 million for the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, respectively. The Group also has facility and equipment commitments under capital leases.

The following is a schedule of minimum lease payments for non-cancelable leases as of December 29, 2017:

	Operating Leases	Capital Leases
Fiscal 2018	$ 23.1	$ 0.2
Fiscal 2019	19.2	—
Fiscal 2020	17.4	—
Fiscal 2021	15.8	—
Fiscal 2022	13.8	—
Thereafter	61.6	—
Total minimum lease payments	$ 150.9	$ 0.2

Tax Matters

The income tax returns of the Group and its subsidiaries are periodically examined by various tax authorities. The resolution of these matters is subject to the conditions set forth in the tax matters agreement entered into between the Group and Covidien ("the Tax Matters Agreement"). Covidien has the right to administer, control and settle all U.S. income tax audits for periods prior to the Separation. While it is not possible at this time to determine with certainty the ultimate outcome of these matters, the Group believes, given the information currently available, that established liabilities are reasonable and that the ultimate resolution of these matters will not have a material adverse effect on its financial condition, results of operations and cash flows.

The IRS is examining tax years 2010-2012 with respect to certain tax returns filed by Covidien. Taxes for periods prior to September 29, 2012 are subject to the Group's $200.0 million liability limitation, as prescribed in the Tax Matters Agreement. The Group believes that it is adequately reserved for taxes related to these years.

Acquisition-Related Litigation

Several putative class actions were filed by purported holders of Questcor common stock in connection with the Questcor Acquisition *(Hansen v. Thompson, et al., Heng v. Questcor Pharmaceuticals, Inc., et al., Buck v. Questcor Pharmaceuticals, Inc., et al., Ellerbeck v. Questcor Pharmaceuticals, Inc., et al., Yokem v. Questcor Pharmaceuticals, Inc., et al., Richter v. Questcor Pharmaceuticals, Inc., et al., Tramantano v. Questcor Pharmaceuticals, Inc., et al., Crippen v. Questcor Pharmaceuticals, Inc., et al., Patel v. Questcor Pharmaceuticals, Inc., et al.,* and *Postow v. Questcor Pharmaceuticals, Inc., et al.).* The actions were consolidated on June 3, 2014. The consolidated complaint named as defendants, and generally alleged that, the directors of Questcor breached their fiduciary duties in connection with the acquisition by, among other things, agreeing to sell Questcor for inadequate consideration and pursuant to an inadequate process. The consolidated complaint also alleged that the Questcor directors breached their fiduciary duties by failing to disclose purportedly material information to shareholders in connection with the merger. The consolidated complaint also alleged, among other things, that the Group aided and abetted the purported breaches of fiduciary duty. The lawsuits sought various forms of relief, including but not limited to, rescission of the transaction, damages and attorneys' fees and costs.

On July 29, 2014, the defendants reached an agreement in principle with the plaintiffs in the consolidated actions, and that agreement was reflected in a Memorandum of Understanding ("MOU"). In connection with the settlement contemplated by the MOU, Questcor agreed to make certain additional disclosures related to the proposed transaction with the Group, which are contained in the Group's Current Report on Form 8-K filed with the SEC on July 30, 2014. Additionally, as part of the settlement and pursuant to the MOU, the Group agreed to forbear from exercising certain rights under the merger agreement with Questcor, as follows: the four business day period referenced in Section 5.3(e) of the merger agreement with Questcor was reduced to three business days. Consistent with the terms of the MOU, the parties entered into a formal stipulation of settlement in February 2015 and re-executed the stipulation of settlement on May 7, 2015 (collectively the "Stipulation of Settlement").

The Stipulation of Settlement was subject to customary conditions, including court approval. On May 8, 2015, the California Court denied plaintiffs' Motion for Preliminary Approval of Settlement. On October 23, 2015, the parties submitted a proposed Stipulation and Order re Dismissal With Prejudice dismissing the action with prejudice as to each of the named plaintiffs and without prejudice as to the remainder of the class and, on October 30, 2015, the California Court entered that Order.

Other Matters

The Group is a defendant in a number of other pending legal proceedings relating to present and former operations, acquisitions and dispositions. The Group does not expect the outcome of these proceedings, either individually or in the aggregate, to have a material adverse effect on its financial condition, results of operations and cash flows.

28. Financial Instruments and Fair Value Measurements

Fair value is defined as the exit price that would be received from the sale of an asset or paid to transfer a liability, using assumptions that market participants would use in pricing an asset or liability. The fair value guidance establishes a three-level fair value hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs used in measuring fair value. The levels within the hierarchy are as follows:

Level 1— observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2— significant other observable inputs that are observable either directly or indirectly; and

Level 3— significant unobservable inputs in which there is little or no market data, which requires the Group to develop its own assumptions.

The following tables provide a summary of the significant assets and liabilities that are measured at fair value on a recurring basis at the end of each period:

	December 29, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Debt and equity securities held in rabbi trusts	$ 35.4	$ 24.0	$ 11.4	$ —
Equity securities	22.7	22.7	—	—
Foreign exchange forward and option contracts	0.1	0.1	—	—
	$ 58.2	$ 46.8	$ 11.4	$ —
Liabilities:				
Deferred compensation liabilities	$ 42.7	$ —	$ 42.7	$ —
Contingent consideration and acquired contingent liabilities	246.4	—	—	246.4
Foreign exchange forward and option contracts	0.1	0.1	—	—
	$ 289.2	$ 0.1	$ 42.7	$ 246.4

	September 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Debt and equity securities held in rabbi trusts	$ 34.6	$ 23.1	$ 11.5	$ —
Foreign exchange forward and option contracts	0.2	0.2	—	—
	$ 34.8	$ 23.3	$ 11.5	$ —
Liabilities:				
Deferred compensation liabilities	$ 26.8	$ —	$ 26.8	$ —
Contingent consideration and acquired contingent liabilities	247.8	—	—	247.8
Foreign exchange forward and option contracts	1.6	1.6	—	—
	$ 276.2	$ 1.6	$ 26.8	$ 247.8

Debt and equity securities held in rabbi trusts. Debt securities held in the rabbi trusts primarily consist of U.S. government and agency securities and corporate bonds. When quoted prices are available in an active market, the investments are classified as level 1. When quoted market prices for a security are not available in an active market, they are classified as level 2. Equity securities held in the rabbi trusts primarily consist of U.S. common stocks, which are valued using quoted market prices reported on nationally recognized securities exchanges.

Equity securities. Equity securities consist of shares in Mesoblast Ltd., for which quoted prices are available in an active market; therefore, the investment is classified as level 1 and is valued based on quoted market prices reported on a nationally recognized securities exchange.

Foreign exchange forward and option contracts. Foreign currency option and forward contracts are used to economically manage the foreign exchange exposures of operations outside the U.S. Quoted prices are available in an active market; as such, these derivatives are classified as level 1.

Deferred compensation liabilities. The Group maintains a non-qualified deferred compensation plan in the U.S., which permits eligible employees of the Group to defer a portion of their compensation. A recordkeeping account is set up for each participant and the participant chooses from a variety of funds for the deemed investment of their accounts. The recordkeeping accounts generally correspond to the funds offered in the Group's U.S. tax-qualified defined contribution retirement plan and the account balance fluctuates with the investment returns on those funds.

Goodwill. The Group performs an annual goodwill impairment assessment using an income approach based on the present value of future cash flows. See further discussion in Notes 2 and 16.

Contingent consideration and acquired contingent liabilities.

In August 2014, the Group recorded acquired contingent liabilities of $195.4 million from the Questcor Acquisition. The contingent liabilities relate to Questcor's contingent obligations associated with their acquisition of an exclusive, perpetual and irrevocable license to develop, market, manufacture, distribute, sell and commercialize Synacthen and MNK-1411 (collectively "Synacthen") from Novartis AG and Novartis Pharma AG (collectively "Novartis") and their acquisition of BioVectra. The fair value of these contingent consideration obligations at December 29, 2017 and September 30, 2016 were $111.8 million and $123.4 million, respectively.

Under the terms of the license agreement with Novartis, the Group made a $25.0 million payment in the fifteen months ended December 29, 2017, and is obligated to make annual payments of $25.0 million subsequent to the fifteen months ended December 29, 2017 until such time that the Group obtains FDA approval of Synacthen and makes a $25.0 million payment upon obtaining FDA approval of Synacthen. If FDA approval is obtained, the Group will pay an annual royalty to Novartis based on a percentage of turnover in the U.S. market. As of December 29, 2017, the total remaining payments under the license agreement shall not exceed $140.0 million. The terms of the license agreement allow the Group to terminate the license agreement upon the occurrence of certain events following the fiscal 2020 payment. The Group measured the fair value of the contingent payments based on a probability-weighted present value of the consideration expected to be transferred using a discount rate of 4.7%.

Based on the terms of the acquisition agreement with the former shareholders of BioVectra, the Group was obligated to pay additional cash consideration of $50.0 million CAD based on BioVectra's financial results from January 2013 through a portion of fiscal year ended September 30, 2016. During fiscal year ended September 25, 2015, the Group made a $5.0 million CAD payment. During the fiscal year ended September 30, 2016, the Group paid the remaining obligation of $40.0 million CAD to the former owners of BioVectra to reach the maximum cumulative payment of $50.0 million CAD. At December 29, 2017, there are no further contingent liabilities associated with BioVectra.

As part of the Hemostasis Acquisition, the Group provided contingent consideration to The Medicines Company in the form of turnover based milestones associated with Raplixa and PreveLeak, and acquired contingent liabilities associated with The Medicines Company's prior acquisitions of the aforementioned products. The Group determined the fair value of the contingent consideration and acquired contingent liabilities based on an option pricing model to be $7.0 million and $17.1 million, respectively, at December 29, 2017 compared to $57.7 million and $11.0 million, respectively, at September 30, 2016. As of December 29, 2017, the contingent consideration liability associated with Raplixa was reduced to zero, reflective of lower than previously anticipated commercial opportunities for the product, resulting in a $50.7 million fair value adjustment during the fifteen months ended December 29 2017.

As part of the Stratatech Acquisition, the Group provided contingent consideration to the prior shareholders of Stratatech, primarily in the form of regulatory filing and approval milestones associated with the deep partial thickness and full thickness indications associated with the StrataGraft product. The Group assesses the likelihood of and timing of making such payments. The Group determined the fair value of the contingent consideration associated with the Stratatech Acquisition to be $53.5 million and $54.9 million at December 29, 2017 and September 30, 2016, respectively.

As part of the InfaCare Acquisition, the Group provided contingent consideration to the prior shareholders of InfaCare in the form of both regulatory approval milestones for full-term and pre-term neonates for stannsoporfin and turnover based milestones associated with stannsoporfin. The Group determined the fair value of the contingent consideration based on an option pricing model to be $35.0 million as of December 29, 2017.

As part of the Ocera Acquisition, the Group provided contingent consideration to the prior shareholders of Ocera in the form of both patient enrollment clinical study milestones for IV and Oral formulations of MNK-6105 and sales-based milestones associated with MNK-6105. The Group determined the fair value of the contingent consideration based on an option pricing model to be $22.0 million as of December 11, 2017.

Of the total fair value of the contingent consideration of $246.4 million, $64.0 million was classified as current and $182.4 million was classified as non-current in the consolidated balance sheet as of December 29, 2017. The following table summarizes the fifteen months ended December 29, 2017 activity for contingent consideration:

Balance at September 30, 2016	$ 247.8
Acquisition date fair value of contingent consideration	57.0
Payments	(25.0)
Accretion expense	6.7
Fair value adjustment	(40.1)
Balance at December 29, 2017	$ 246.4

Financial Instruments Not Measured at Fair Value

- The carrying amounts of cash at bank and in hand, trade debtors, trade creditors and the majority of other debtors (amounts falling due within one year) and creditors (amounts falling due within one year) approximate fair value because of their short-term nature. The Group classifies cash on hand and deposits in banks, including commercial paper, money market accounts and other investments it may hold from time to time, with an original maturity to the Group of three months or less, as cash at bank and on hand (level 1). The fair value of restricted cash is equivalent to its carrying value of $18.3 million and $19.1 million as of December 29, 2017 and September 30, 2016, respectively (level 1), substantially all of which is included in financial assets on the consolidated balance sheets.
- The Group's life insurance contracts are carried at cash surrender value, which is based on the present value of future cash flows under the terms of the contracts (level 3). Significant assumptions used in determining the cash surrender value include the amount and timing of future cash flows, interest rates and mortality charges. The fair value of these contracts approximates the carrying value of $67.0 million and $68.7 million at December 29, 2017 and September 30, 2016, respectively. These contracts are included in financial assets on the consolidated balances sheets.
- The Group received a portion of consideration for the sale of the Intrathecal Therapy business in the form of a note receivable. The fair value of the note receivable was equivalent to its carrying value of $154.0 million as of December 29, 2017 (level 1).
- The carrying values of the Group's revolving credit facility and variable rate receivable securitization approximate the fair values due to the short-term nature of these instruments. The carrying values of the 4.00% term loan approximates the fair value of this instrument, as calculated using the discounted exit price for the instrument, and is therefore classified as level 3. Since the quoted market prices for the Group's term loans and 8.00% and 9.50% debentures are not available in an active market, they are classified as level 2 for purposes of developing an estimate of fair value. The Group's 3.50%, 4.75%, 4.875%, 5.50%, 5.625% and 5.75% notes are classified as level 1, as quoted prices are available in an active market for these notes. The following table presents the carrying values and estimated fair values of the Group's long-term debt, excluding capital leases, as of the end of each period:

	December 29, 2017		September 30, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Level 1:				
Variable-rate receivable securitization due July 2017	$ —	$ —	$ 235.0	$ 235.0
3.50% notes due April 2018	300.0	299.1	300.0	299.6
4.875% notes due April 2020	700.0	675.2	700.0	712.4
Variable-rate receivable securitization due July 2020	200.0	200.0	—	—
5.75% notes due August 2022	884.0	804.8	884.0	869.3
4.75% notes due April 2023	526.5	412.4	600.0	539.5
5.625% notes due October 2023	738.0	628.8	740.0	710.2
5.50% notes due April 2025	692.1	564.5	700.0	663.6
Revolving credit facility	900.0	900.0	—	—
Level 2:				
Term loans due March 2021	—	—	1,953.5	1,951.8
9.50% debentures due May 2022	10.4	10.9	10.4	12.1
8.00% debentures due March 2023	4.4	4.4	4.4	4.9
Term loan due September 2024	1,851.2	1,848.7	—	—
Level 3:				
4.00% term loan due February 2022	—	—	7.1	7.1

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Group to concentrations of credit risk primarily consist of trade debtors. The Group does not require collateral from customers. A portion of the Group's trade debtors outside the U.S. includes turnover to government-owned or supported healthcare systems in several countries, which are subject to payment delays. Payment is dependent upon the financial stability and creditworthiness of those countries' national economies.

The following table shows turnover attributable to distributors that accounted for 10% or more of the Group's total turnover:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
CuraScript, Inc.	39%	33%
McKesson Corporation	*	11%

* Turnover to this distributor was less than 10% of total turnover during the respective periods presented above.

The following table shows trade debtors attributable to distributors that accounted for 10% or more of the Group's gross trade debtors at the end of each period:

	December 29, 2017	September 30, 2016
McKesson Corporation	26%	27%
AmerisourceBergen Corporation	15%	14%
CuraScript, Inc.	14%	13%
Cardinal Health, Inc.	11%	10%

The following table shows turnover attributable to products that accounted for 10% or more of the Group's total turnover:

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
H.P. Acthar Gel	36%	30%
Inomax	15%	12%

29. Provisions for Liabilities

At December 29, 2017 and September 30, 2016, provisions for liabilities comprised of:

	December 29, 2017	September 30, 2016
Pensions and similar obligations (Note 24)	$ 74.6	$ 159.5
Deferred taxes (Note 9)	689.0	2,551.8
Other provisions	447.5	624.1
	$ 1,211.1	$ 3,335.4

Other provision activity during the fifteen months ended December 29, 2017 was as follows:

	Environmental (Note 27)	Asset Retirement Obligations (Note 27)	Insurance Claims	Restructuring Reserves (Note 5)	Guarantees (Note 26)	Contingent Consideration (Note 28)	Other	Total
At September 30, 2016	$ 76.0	$ 39.2	$ 14.5	$ 18.5	$ 23.0	$ 247.8	$ 205.1	$ 624.1
Provisions, net	3.3	—	64.4	35.0	8.0	57.0	91.6	259.3
Accretion	(0.1)	0.8	—	—	—	6.7	—	7.4
Fair market value adjustments	—	—	—	—	—	(40.1)	—	(40.1)
Disposals	—	(42.1)	—	—	—	—	—	(42.1)
Utilization	(3.8)	—	(63.4)	(38.3)	(2.0)	(25.0)	(232.9)	(365.4)
Other, including currency translation	—	4.0	—	0.3	—	—	—	4.3
At December 29, 2017	$ 75.4	$ 1.9	$ 15.5	$ 15.5	$ 29.0	$ 246.4	$ 63.8	$ 447.5

30. Shareholders' Funds

Called-up Share Capital Presented as Equity. The Group has authorized 500,000,000 ordinary shares, par value of $0.20 per share, 92,196,662 and 118,137,297 of which were issued as of December 29, 2017 and September 30, 2016, respectively. Changes during the fifteen months ended December 29, 2017 are associated with shares issued under employee capital programs.

Preference Shares. The Group is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at December 29, 2017 or September 30, 2016. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Group, holders of any preferred shares then outstanding would, if the shares were issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to receive payment of the amount for which the preferred shares were subscribed and any unpaid dividends, prior to any payment to ordinary shareholders.

Acquisition of Own Shares. On November 19, 2015, the Group's Board of Directors authorized a $500.0 million share repurchase program (the "November 2015 Program"), which was completed in the three months ended December 30, 2016. On March 16, 2016, the Group's Board of Directors authorized an additional $350.0 million share repurchase program (the "March 2016 Program"), which was completed during the fifteen months ended December 29, 2017. On March 1, 2017, the Group's Board of Directors authorized an additional $1.0 billion share repurchase program (the "March 2017 Program"), which commenced upon the completion of the March 2016 Program. The March 2017 Program has no time limit or expiration date, and the Group currently expects to fully utilize the program.

During the fifteen months ended December 29, 2017, the Group acquired 21,523,790 shares at an average market price of $37.65, which were accounted for as treasury shares within shareholders' funds. Of the 21,523,790 shares acquired, 1,063,337 shares were acquired under the November 2015 Program at an average price of $70.01, 6,868,417 shares were acquired under the March 2016 Program at an average price of $50.96, and 13,490,448 shares were acquired under the March 2017 Program at an average price of $28.22. The remaining 101,588 shares at an average market price of $49.98 represent deemed acquisitions in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations.

During December 2017, the Group canceled approximately 26.5 million treasury shares. Irish law requires a company's treasury share value to represent less than 10% of the Group's capital. The cancellation of treasury shares had a net zero impact on shareholder's funds as $5.3 million was reflected in both called-up share capital and capital redemption reserve. As of December 29, 2017 a total of 5,860,430 shares were held in treasury stock.

During fiscal year ended September 30, 2016, the Group acquired 9,739,383 shares at an average market price of $67.04, which were accounted for as treasury shares within shareholders' funds. Of the 9,739,383 shares acquired, 3,199,279 shares were acquired under the January 2015 Program at an average price of $70.33 and 6,510,824 shares were acquired under the November 2015 Program at an average price of $65.37. The remaining 29,280 shares at an average market price of $78.55 represent deemed acquisitions in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations.

Share Premium Account. On March 24, 2017, the High Court of Ireland approved the creation of distributable reserves of Mallinckrodt plc through a reduction in the share premium account, which will facilitate any future payment of dividends to shareholders of the Group, as well as effect the repurchase of shares. The court order authorizing the creation of distributable reserves was filed with the Registrar of Companies in Ireland and became effective on March 24, 2017, resulting in the transfer of $3,996.9 million to the profit and loss account.

During the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, the remaining share premium account activity resulted from the impact of the exercise of stock options. The balance in the share premium account resulted from the exercise of employee share options.

Other Reserves. The balance as of December 29, 2017 was primarily comprised of the capital contribution of $1,095.0 million that was recorded upon the separation from Covidien, accumulated other comprehensive profit and accumulated share-based compensation.

Profit and Loss Account. During the fifteen months ended December 29, 2017 and the fiscal year ended September 30, 2016, the profit and loss account activity resulted from accumulated profit after taxation, less share repurchase activity and transfer of reserves from the share premium account.

Dividends. The Group currently does not anticipate paying any cash dividends for the foreseeable future, as it intends to retain any earnings to finance R&D, acquisitions, the operation and expansion of its business and repurchase of shares.

31. Post-Balance Sheet Events

Discontinued Operations and Divestitures

On February 22, 2018, the Group's Board of Directors authorized commencement of a process to dispose of (1) the Group's Specialty Generics business comprised of its Specialty Generics segment, with the exception of its external manufacturing operations, (2) certain of the Group's non-promoted brands business, which is currently reflected in the Specialty Brands segment; and (3) the Group's ongoing, post-divestiture supply agreement with the acquirer of the CMDS business, which is currently reflected in the Other non-operating segment (referred to collectively as the "Specialty Generics Disposal Group"). The Group evaluated the criteria prescribed by U.S. GAAP for recording a disposal group as held for sale and discontinued operations. This criteria was not met as of December 29, 2017. Therefore, this disposal group was not presented as a discontinued operation in the accompanying consolidated balance sheets and consolidated statements of income. Beginning in the first quarter of fiscal 2018, the historical financial results attributable to the Specialty Generics Disposal Group will be reflected in the Group's consolidated financial statements as discontinued operations.

On March 16, 2018, we completed the sale of our PreveLeak and Recothrom assets to Baxter International, Inc. ("Baxter") for approximately $185.0 million, with base payment of $153.0 million, inclusive of existing inventory and subject to a closing inventory adjustment, and the remainder in potential future milestones. Baxter will assume other expenses, including contingent liabilities associated with PreveLeak.

Sucampo Acquisition

On February 13, 2018, the Group acquired Sucampo Pharmaceuticals, Inc. ("Sucampo"). Consideration for the transaction consisted of approximately $1.2 billion, including the assumption of Sucampo's third-party debt ("the Sucampo Acquisition"). The acquisition was funded through the issuance of $600.0 million aggregate principal amount of senior secured notes (as discussed further below), a $900.0 million borrowing under the Revolver and cash on hand. Sucampo's commercialized products include AMITIZA® (lubiprostone), a leading global product in the branded constipation market, and RESCULA® (unoprostone isopropyl ophthalmic solution) 0.15%, which is indicated for ocular hypertension and open-angle glaucoma, and marketed in Japan. In addition, Sucampo has two pipeline products that are currently in Phase 3 development: VTS-270, a development product for Niemann-Pick Type C, a rare, neurodegenerative, and ultimately fatal disease that can present at any age, and CPP-1X/sulindac, a development product for Familial Adenomatous Polyposis under a collaborative agreement between Cancer Prevention pharmaceuticals and Sucampo.

The Group incurred acquisition costs within the consolidated statements of income during the fifteen months ended December 29, 2017 of $4.2 million, which were included within D&A.

The Group has not yet completed a preliminary allocation of the total consideration to the identifiable assets acquired and liabilities assumed for the Sucampo Acquisition. However, the Group expects that significant assets acquired will primarily consist of intangible assets, but will also include inventory adjusted to fair value, and that significant liabilities assumed will include the existing Sucampo third-party debt and deferred tax liabilities associated with assets acquired. The Group expects to complete a preliminary allocation of the total consideration during the first quarter of fiscal 2018.

Upon completion of the Sucampo Acquisition, Sucampo's 3.25% convertible senior notes due 2021 ("the Sucampo Notes") became eligible to receive increased consideration in conjunction with a make-whole fundamental change, such that each $1,000 principal face amount of Sucampo Notes may be converted into $1,221 cash. Under terms of the Indenture dated December 27, 2016 (the "Sucampo Indenture"), between Sucampo and U.S. Bank National Association, the Sucampo Notes may be converted at the option of their holders and be eligible to receive increased consideration during a period of time following consummation of the merger transaction, or remain outstanding and earn the stated 3.25% rate of interest. It is the expectation that all holders will eventually exercise their conversion rights under the Sucampo Indenture. At the time of the issuance of this report, approximately $0.3 million of the $300.0 million of issued convertible debt remains outstanding.

Sucampo Acquisition Financing

In February 2018, in conjunction with the Sucampo Acquisition, the Group entered into a $600.0 million senior secured term loan. The variable-rate loan bears an interest rate of LIBOR plus 300 basis points and was issued with a discount of 25 basis points. The incremental term loan matures on February 25, 2025 under terms generally consistent with the Group's existing term loan.

Financing Activities

On January 16, 2018, the Group made a $225.0 million voluntary prepayment on its outstanding term loan. In making this payment the Group satisfies certain obligations included within external debt agreements to reinvest proceeds from the sale of assets and businesses within one year of the respective transaction or use the proceeds to pay down debt.

On February 21, 2018, the Group borrowed an additional $25.0 million on its Receivable Securitization. The Group also made a $275.0 million payment on the 2017 Revolving Credit Facility, bringing total outstanding borrowings to $625.0 million for this instrument.

On February 28, 2018, the Group received $154.0 million from Piramal for the settlement of the note receivable in connection with the sale of the Intrathecal Therapy business.

On March 15, 2018, BioVectra, Inc., a subsidiary of the Group, entered into an agreement with The Atlantic Canada Opportunities Agency, to obtain an interest-free loan of up to $5.0 million Canadian Dollars ("CAD") in exchange for specified investment spending in Canada. The loan is repayable in equal monthly installments over 10 years starting in January 2019. The Company has the option of prepaying this loan without any penalties. As of the issuance date of this report, $3.4 million CAD is outstanding under this agreement.

During March 2018, the Group repurchased unsecured fixed-rate debt that aggregated to a total principal amount of $33.0 million. The Group also made a $5.4 million payment on its Receivable Securitization, bringing total outstanding borrowings to $219.6 million for this instrument.

Commitments and Contingencies

Certain litigation matters occurred during the fifteen months ended December 29, 2017 or prior. See further discussion in Note 27 for subsequent updates to these matters or new litigation through the issuance of this report.

32. Subsidiary Undertakings

As of December 29, 2017, the Group had the following subsidiary undertakings:

Name	Nature of Business	Group Share %	Registered Office and Country of Incorporation
101610 PEI, Inc.	Holding	100%	BDC Place, Suite 620 119 Kent Street Charlottetown, PE, C1A 1N3 Canada
Acthar IP Unlimited Company	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
BioVectra, Inc.	Operating	100%	11 Aviation Avenue Charlottetown, PE, C1E 0A1 Canada

Cache Holdings Limited	Holding	100%	Canon's Court 22 Victoria Street, PO Box HM 1624 Hamilton, HM 12 Bermuda
Carnforth Limited	Operating	100%	Canon's Court 22 Victoria Street, PO Box HM 1624 Hamilton, HM 12 Bermuda
Dritte CORSA Verwaltungsgesellschaft GmbH	Inactive	100%	Josef-Dietzgen-Strasse 1 53773 Hennef, Germany
Ikaria Australia Pty Ltd	Operating	100%	Deacons L 15 485 Bourke Street Melbourne VIC 3000 Australia
Ikaria Canada Inc.	Operating	100%	160 Elgin Street, Suite 2600 Ottawa, Ontario, K1P 13 Canada
IMC Exploration Company	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Infacare Pharmaceutical Corporation	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
INO Therapeutics LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Ludlow Corporation	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
MAK LLC	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt APAP LLC	Operating	100%	385 Marshall Ave. Webster Groves, MO 63119 United States
Mallinckrodt ARD Finance, LLC	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt ARD Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt ARD Holdings Limited	Holding	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Mallinckrodt ARD Inc.	Operating	100%	1425 U.S. Route 206 Bedminster, NJ 07921 United States
Mallinckrodt ARD IP Limited	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Brand Pharmaceuticals, Inc.	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Buckingham Unlimited Company	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Canada Cooperatie U.A.	Holding	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Canada ULC	Operating	100%	7500 Trans-Canada Highway Pointe-Claire, Quebec H9R 5H8 Canada
Mallinckrodt CB LLC	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Chemical Holdings (UK) Ltd.	Inactive	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom

Mallinckrodt Chemical Limited	Operating	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Mallinckrodt Critical Care Finance, Inc.	Finance and Administrative	100%	1209 Orange Street Wilmington, Delaware 19801 United States
Mallinckrodt Enterprises Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Enterprises LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Enterprises UK Limited	Holding	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Mallinckrodt Equinox Finance Inc.	Finance and Administrative	100%	ARK Mori Bldg., 30F 1-12-32 Akasaka, Minato-ku Tokyo, Japan
Mallinckrodt Equinox Limited	Holding	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Mallinckrodt Finance GmbH	Finance and Administrative	100%	Victor von Bruns-Strasse 19 8212 Neuhausen am Rheinfall Switzerland
Mallinckrodt Finance Management Ireland Limited	Operating	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Group Sarl	Finance and Administrative	100%	124 Boulevard de la Petrusse L-2330 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Holdings GmbH	Holding	100%	Victor von Bruns-Strasse 19 8212 Neuhausen am Rheinfall, Switzerland
Mallinckrodt Hospital Products Inc.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Hospital Products IP Limited	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt International Finance SA	Finance and Administrative	100%	124 Boulevard de la Petrusse L-2330 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt International Holdings, S.a.r.l.	Holding	100%	124 Boulevard de la Petrusse L-2330 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt IP Unlimited Company	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt LLC	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Lux IP S.a.r.l.	Finance and Administrative	100%	124 Boulevard de la Petrusse L-2330 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Manufacturing LLC	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Medical Holdings (UK) Limited	Holding	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Mallinckrodt Nuclear LLC	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States

Mallinckrodt PEI Inc.	Other	100%	1400-1250 René Lèvesque Blvd. West Montreal, Quebec H3B 5E9 Canada
Mallinckrodt Petten Holdings B.V.	Holding	100%	Hogeweg 105 5301LL Zaltbommel The Netherlands
Mallinckrodt Pharma IP Trading Designated Activity Company	Operating	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Pharma K.K.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Pharmaceuticals Ireland Limited	Operating	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Pharmaceuticals Limited	Operating	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Mallinckrodt Quincy S.a.r.l.	Holding	100%	124 Boulevard de la Petrusse L-2330 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Radioisotopes B.V.	Other	100%	Westerduinweg 3, Postbus 3 1755LE Petten The Netherlands
Mallinckrodt Securitization S.a.r.l.	Finance and Administrative	100%	124 Boulevard de la Petrusse L-2330 Luxembourg Grand Duchy of Luxembourg
Mallinckrodt Specialty Pharmaceuticals Ireland Limited	Operating	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt UK Finance LLP	Finance and Administrative	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Mallinckrodt UK Ltd	Finance and Administrative	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Mallinckrodt US Holdings LLC	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt US Holdings, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt US Pool LLC	Finance and Administrative	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Veterinary, Inc.	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Mallinckrodt Windsor Ireland Finance Unlimited Company	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Mallinckrodt Windsor S.a.r.l.	Holding	100%	124 Boulevard de la Petrusse L-2330 Luxembourg Grand Duchy of Luxembourg
MCCH, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
MEH, Inc.	Holding	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
MHP Finance, Inc.	Finance and Administrative	100%	1209 Orange Street Wilmington, Delaware 19801 United States
MKG Medical UK Ltd	Finance and Administrative	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom

Montjeu Limited	Operating	100%	Arthur Cox Building Earlsfort Terrace Dublin 2 Ireland
MUSHI UK Holdings Limited	Holding	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
OCERA subsidiary, Inc.	Inactive	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
OCERA Therapeutics, Inc.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Phoenixglade Limited	Holding	100%	College Business & Technology Park Cruiserath Road Blanchardstown, Dublin 15 Ireland
Profibrix B.V.	Operating	100%	Darwinweg 24 2333 CR Leiden, The Netherlands
Questcor International Limited	Other	100%	Arthur Cox Building Earlsfort Terrace Dublin 2 Ireland
SpecGx LLC	Other	100%	385 Marshall Ave. Webster Groves, MO 63119 United States
Stratatech Corporation	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Sun Acquisition Co.	Other	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States
Therakos (Belgium) SPRL	Operating	100%	Rue Royale 97 (4th Floor) B-1000 Brussels Belgium
Therakos (Canada) Company	Operating	100%	Suite 900, 1959 Upper Water Street P. O. Box 997 Halifax Nova Scotia B3J 3N2 Canada
Therakos (France) SAS	Operating	100%	105 Avenue Raymond Poincare 75116 Paris France
Therakos (Italia) S.r.l	Operating	100%	via Birmania 81 00144 Rome Italy
Therakos (UK), Ltd	Operating	100%	3 Lotus Park, The Causeway, Staines-Upon-Thames, Surrey, TW18 3AG United Kingdom
Therakos Germany GmbH	Operating	100%	Walther-Cronberg-Platz 12 60594 Frankfurt am Main Germany
Therakos, Inc.	Operating	100%	675 James S. McDonnell Boulevard Hazelwood, MO 63042 United States

As of December 29, 2017, the Group had the following branches and representative offices outside of Ireland:

Branch	Country
Mallinckrodt Group S.a.r.l. Luxembourg (LU) Schaffhausen Branch	Switzerland
Mallinckrodt Medical Holdings (UK) Limited, Zweigniederlassung Deutschland Branch	Germany
Therakos (UK), Limited Dutch Branch	Netherlands
Therakos (UK), Ltd Sweden Filial	Sweden
Therakos (UK), Limited, Sucursal en Espana	Spain

MALLINCKRODT PUBLIC LIMITED COMPANY

Company Financial Statements

For the Fifteen Months Ended December 29, 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MALLINCKRODT PLC

Report on the audit of the financial statements

Opinion on the financial statements of Mallinckrodt Public Limited Company (the 'company')
In our opinion the parent company financial statements:

- give a true and fair view of the assets, liabilities and financial position of the parent company as at 29 December 2017; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The parent company financial statements we have audited comprise:

- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 12, including a summary of significant accounting policies as set out in note 1.

The relevant financial reporting framework that has been applied in the preparation of the financial statements is the Companies Act 2014 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("the relevant financial reporting framework").

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority, as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current financial period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter Description	How the scope of our audit responded to the key audit matter
Carrying value of Financial Assets **$6,607.5 million** There is a risk that an impairment in the company's investment in its subsidiaries is not identified and recorded in the financial statements. Refer also to Note 1 (accounting policy for Investments in Subsidiary) and Note 2 Financial Assets.	We considered the appropriateness of the Directors' approach to impairment review which considers the valuation of the Company's subsidiaries and net assets against other indicators of value, such as the overall market capitalization of the Mallinckrodt Group and carrying value of net assets in the consolidated financial statements. An impairment charge of $243.6 million was recorded such that the overall net assets of the company does not exceed the net asset value of the Group at the balance sheet date.

Our audit procedures relating to this matter were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined planning materiality for the company to be $28.5 million which is 95% of group materiality. We have considered financial assets to be the critical component for determining materiality because we determined financial assets to be of most importance to the principal external users of these financial statements as this is the key balance in this legal entity and holding this investment is the purpose of the entity.

We agreed with the Audit Committee that we would report to the Audit Committee any audit differences in excess of $1.4 million or 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit is a risk-based approach taking into account the structure of the company, our knowledge of the group and industry in which the company operates and the accounting processes and controls in place.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Consolidated Financial Statements for the 15 month period ended 29 December 2017, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The company balance sheet is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Other Matters
We have reported separately on the consolidated financial statements of Mallinckrodt Public Limited Company for the 15 month period ended 29 December 2017.

Matters on which we are required to report by exception
Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

/s/Emer O'Shaughnessy
Emer O'Shaughnessy
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
3 April 2018

MALLINCKRODT PLC
COMPANY BALANCE SHEETS
(in millions)

	Note	December 29, 2017	September 30, 2016
Fixed Assets			
Financial assets	2	$ 6,607.5	$ 8,021.1
Current Assets			
Debtors	3	614.1	184.0
Cash at bank and in hand		0.7	0.3
		614.8	184.3
Creditors (amounts falling due within one year)			
Amounts owed to subsidiaries	4	699.4	616.2
Accruals and other creditors		0.9	2.2
		700.3	618.4
Net Current Liabilities		(85.5)	(434.1)
Total Assets Less Current Liabilities		6,522.0	7,587.0
Net Assets		$ 6,522.0	$ 7,587.0
Capital and Reserves			
Called-up share capital presented as equity	7	$ 18.4	$ 23.6
Share premium account	7	4.1	3,996.5
Other reserves	7	2,090.5	2,020.4
Capital redemption reserve		5.3	—
Profit and loss account	7	4,403.7	1,546.5
Shareholders' Funds		$ 6,522.0	$ 7,587.0

Approved by the board of directors on 3 April 2018 and signed on its behalf by:

/s/ JoAnn A. Reed	/s/ Mark C. Trudeau
JoAnn A. Reed	Mark C. Trudeau
Director	Director

MALLINCKRODT PLC
COMPANY STATEMENT OF CHANGES IN EQUITY
(in millions)

	Called-up Share Capital			Other Reserves			
	Number	Amount	Share Premium Account	Capital Redemption Reserve	Other	Profit and Loss Account	Total
Balance at September 25, 2015	117.5	$ 23.5	$ 3,982.6	$ —	$ 1,977.5	$ 2,405.3	$ 8,388.9
Loss after taxation	—	—	—	—	—	(205.9)	(205.9)
Share options exercised	0.4	0.1	13.9	—	—	—	14.0
Vesting of restricted shares	0.2	—	—	—	—	—	—
Share-based compensation	—	—	—	—	42.9	—	42.9
Repurchase of ordinary shares	—	—	—	—	—	(652.9)	(652.9)
Balance at September 30, 2016	118.1	23.6	3,996.5	—	2,020.4	1,546.5	7,587.0
Loss after taxation	—	—	—	—	—	(334.5)	(334.5)
Share options exercised	0.2	—	4.5	—	—	—	4.5
Vesting of restricted shares	0.4	0.1	—	—	(0.1)	—	—
Share-based compensation	—	—	—	—	70.2	—	70.2
Treasury share cancelation	(26.5)	(5.3)	—	5.3			—
Transfer to profit and loss account	—	—	(3,996.9)	—	—	3,996.9	—
Repurchase of ordinary shares	—	—	—	—	—	(810.5)	(810.5)
Treasury share reissued under ESPP	—	—	—	—	—	5.3	5.3
Balance at December 29, 2017	92.2	$ 18.4	$ 4.1	$ 5.3	$ 2,090.5	$ 4,403.7	$ 6,522.0

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MALLINCKRODT PLC
NOTES TO COMPANY FINANCIAL STATEMENTS
(dollars in millions, except share data and where indicated)

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Preparation

The fifteen months ended December 29, 2017 Mallinckrodt plc parent company financial statements have been prepared in accordance with the Companies Act 2014 and Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council, applicable in the U.K. and Republic of Ireland. The directors have elected to prepare the parent company financial statements in a manner different from the consolidated financial statements of Mallinckrodt plc as they are prepared specifically to comply with Irish legislative requirements and represent the results and financial position of the parent company, which is incorporated and registered in the Republic of Ireland.

Fiscal Year

On May 17, 2016, the Board of Directors of the Company approved a change in the Company's fiscal year end to the last Friday in December from the last Friday in September. The change in fiscal year became effective for the Company's 2017 fiscal year, which began on October 1, 2016 and ended on December 29, 2017. As a result, the period of this report covers a fifteen month period (October 1, 2016 through December 29, 2017) and the twelve month period for fiscal year ended September 30, 2016.

Basis of Accounting

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 issued by the Financial Reporting Council, and promulgated for use in Ireland by Chartered Accountants Ireland.

Statement of Compliance

The entity financial statements have been prepared on a going concern basis and comply with FRS 102, The Financial Reporting Standard applicable in the U.K. and Republic of Ireland and the Companies Act 2014.

Significant Accounting Policies

The significant accounting policies used in the preparation of the entity financial statements are set out below. These policies have been consistently applied to all financial periods presented.

Functional Currency

Items included in these financial statements are measured using the currency of the primary economic environment in which Mallinckrodt plc operates ("the functional currency"). The financial statements are presented in U.S. dollars ("USD"), which is the Company's functional and presentation currency.

Currency Translation

Transactions during the financial period denominated in foreign currencies have been translated at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated to USD at the rates of exchange ruling at the balance sheet date. The resulting profits or losses are dealt with in the profit and loss account.

Investments in Subsidiary

Mallinckrodt plc's investment in subsidiaries was recorded at fair value of consideration given plus any directly attributable costs less impairment charges or recovery of investments via dividend receipts. The investments are tested for impairment if circumstances or indicators suggest that impairment may exist.

Debtors

Debtor balances are carried at the original invoice or agreement amount, less any allowance for potentially uncollectable debts. A provision is recorded where there is evidence that the Company will not be in a position to collect the associated debt.

Dividends

Mallinckrodt plc currently does not anticipate paying any cash dividends for the foreseeable future, as it intends to retain any earnings to finance R&D, acquisitions and the operation and expansion of its subsidiaries' business. The recommendation, declaration and payment of any dividends in the future by Mallinckrodt plc will be subject to the sole discretion of its board of directors and will depend upon many factors, including its financial condition, earnings, capital requirements of its operating subsidiaries, covenants associated with certain of its debt obligations, legal requirements, regulatory constraints and other factors deemed relevant by its board of directors. Moreover, if Mallinckrodt plc determines to pay any dividends in the future, there can be no assurance that it will continue to pay such dividends.

Financial Instruments

Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, canceled or expires.

2. Financial Assets

At September 25, 2015	$ 17,892.0
Disposal of investment in subsidiary undertaking	(1.7)
Write down following receipt of dividend from subsidiary undertaking	(9,869.2)
At September 30, 2016	8,021.1
Disposal of investment in subsidiary undertaking	—
Write down following receipt of dividend from subsidiary undertaking	(1,170.0)
Impairment charge	(243.6)
At December 29, 2017	$ 6,607.5

Mallinckrodt plc owns 100% of the share capital of Mallinckrodt UK Limited ("MUK"), a company incorporated in the United Kingdom. The principal activity of MUK during the financial year was that of a holding company.

On August 22, 2016, Mallinckrodt plc sold its 100% investment in Mallinckrodt Belgium BVBA ("MB-BVBA") to Mallinckrodt Equinox Limited for a total consideration of $3.4 million. As a result, the Company recorded a realized gain of $1.7 million which was recorded in the profit and loss account.

Following receipt of dividends of $1.2 billion and $9.9 billion during the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, respectively, from MUK, the Company recorded an equivalent write down on the value of their investment in subsidiary undertakings. At the period end, a review was performed and a $243.6 million impairment charge was recorded such that the overall net assets of the company does not exceed the net asset value of the group at the balance sheet date.

3. Debtors

Debtors due within one year were comprised of the following at the end of each financial period:

	December 29, 2017	September 30, 2016
Due from subsidiary undertakings	$ 613.2	$ 182.6
Other debtors and prepayments	0.9	1.4
	$ 614.1	$ 184.0

Amounts due from subsidiary undertakings of $593.1 million and $143.5 million as of December 29, 2017 and September 30, 2016 respectively relate to balances due from Mallinckrodt International Finance SA as part of a cash management agreement. The balance is repayable on demand and is interest bearing.

Intercompany trade receivables of $20.1 million and $39.1 million as of December 29, 2017 and September 30, 2016 respectively relate to transactions in the normal course of business and are expected to be repaid in the following three months.

4. Amounts Owed to Subsidiaries

Amounts due to subsidiary undertakings were comprised of the following at the end of each financial period:

	December 29, 2017	September 30, 2016
Due to subsidiary undertakings	$ 699.4	$ 616.2

On January 15, 2016, MUK issued a promissory note for $300 million. On December 14, 2016 MUK assigned $193.6 million of this loan to Mallinckrodt US Pool LLC. The annual rate of interest on the remaining loan with MUK is 12 month USD Libor plus 2.08% and the loan is payable in full on demand. In the absence of an earlier demand for payment or extension by mutual consent, the note shall mature on January 15, 2021. The Company recorded an interest charge of $6.2 million during the fifteen months ended December 29, 2017 and $7.0 million during the twelve months ended September 30, 2016. No material interest was paid during the period and at the balance sheet date, the fair value of the loan was $119.4 million and $307.0 million as of December 29, 2017 and September 30, 2016, respectively.

Following the assignment of the loan balance of $193.6 million from MUK to Mallinckrodt US Pool LLC on December 14, 2016, the annual rate of interest on the loan balance is 12 month USD Libor plus 2.08% and the loan is payable in full on demand. In the absence of an earlier demand for payment or extension by mutual consent, the note shall mature on January 15, 2021. The Company recorded an interest charge of $7.6 million during the fifteen months ended December 29, 2017. No interest was paid during the period and at the balance sheet date, the fair value of the loan was $201.3 million as of December 29, 2017.

At September 30, 2016, amounts owed to subsidiary undertakings included a promissory note for $287 million, which was outstanding to Mallinckrodt Critical Care Finance Inc. On September 26, 2017 as part of a wider group cash management project, Mallinckrodt Critical Care Finance Inc. assigned the loan balance to Therakos Inc., who in turn assigned the loan to Mallinckrodt Hospital Products Inc., who in turn on September 29, 2017 assigned the loan balance to MCCH Inc. MCCH Inc. then assigned the $287 million plc receivable to Mallinckrodt US Pool LLC. The annual rate of interest was 0.67%. On November 10, 2017, the parties mutually agreed to increase the interest rate to 1.27%, on the same date the parties also agreed to extend the maturity date of the loan to May 10, 2019 in the absence of an earlier demand for payment. The Company recorded an interest charge of $2.6 million and $0.8 million during the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, respectively. Interest of $2.7 million was paid during the period and at the balance sheet date, the fair value of the loan was $287.7 million and $287.8 million as of December 29, 2017 and September 30, 2016, respectively.

On November 17, 2017, Mallinckrodt Buckingham Unlimited Company issued a promissory note for $24.9 million. The annual rate of interest on the loan balance is 12 month USD libor plus 5.04% and the loan is payable in full on demand. In the absence of an earlier demand for payment or extension by mutual consent, the note shall mature on November 17, 2022. The Company recorded an interest charge of $0.2 million for the fifteen months ended December 29, 2017. No material interest was paid during the period and at the balance sheet date, the fair value of the loan was $25.1 million as of December 29, 2017.

Intercompany trade payables of $65.8 million and $21.4 million as of December 29, 2017 and September 30, 2016, respectively relate to transactions in the normal course of business and are expected to be repaid in the following three months.

5. Guarantees and Contingencies

Mallinckrodt plc, along with certain of its direct or indirect wholly-owned subsidiaries, has fully and unconditionally guaranteed substantially all of the Group's debt, as discussed in Note 26 to the Group's Notes to Consolidated Financial Statements. The Company has assessed the fair value of these guarantees and determined them to be insignificant.

Mallinckrodt plc has entered into guarantee arrangements with various banks and third parties that provide Mallinckrodt Group companies with extensions of credit, including overdraft facilities, foreign exchange facilities and bank guaranty facilities. Under these arrangements, Mallinckrodt plc has unconditionally guaranteed all obligations of these Group companies to the banks and third parties, up to a maximum amount outstanding of approximately $28.7 million as of December 29, 2017. The Company has assessed the fair value of these guarantees and determined them to be insignificant.

6. Financial Instruments

The carrying value of the Company's financial assets and liabilities are summarized by category below:

	Note	December 29, 2017	September 30, 2016
Financial Assets			
Measured at undiscounted amount receivable			
Other debtors		$ —	$ 1.0
Amount due from subsidiary undertakings	3	613.2	182.6
		$ 613.2	$ 183.6
Financial liabilities			
Measured at undiscounted amount payable			
Loans due to subsidiary undertakings	4	$ 633.5	$ 594.7
Measured at undiscounted amount payable			
Trade and other payables		0.9	2.2
Amount owed to subsidiary undertakings		65.8	21.5
		$ 700.2	$ 618.4

7. Shareholders' Funds

Shareholders' funds activity of Mallinckrodt plc was as follows:

Called-up Share Capital presented as equity. Mallinckrodt plc has authorized 500,000,000 ordinary shares, par value of $0.20 per share, 92,196,662 and 118,137,297 of which were issued at December 29, 2017 and September 30, 2016, respectively. Changes during the fifteen months ended December 29, 2017 are associated with shares issued under employee capital programs and also the cancellation of 26,500,000 ordinary shares which had been held by the company as Treasury shares.

Preference Shares. Mallinckrodt plc is authorized to issue 500,000,000 preferred shares, par value of $0.20 per share, none of which were issued and outstanding at December 29, 2017 or September 30, 2016. Rights as to dividends, return of capital, redemption, conversion, voting and otherwise with respect to these shares may be determined by Mallinckrodt plc's board of directors on or before the time of issuance. In the event of the liquidation of the Group, holders of any preferred shares then outstanding would, if the shares were issued on such terms that they carry a preferential distribution entitlement on liquidation, be entitled to receive payment of the amount for which the preferred shares were subscribed and any unpaid dividends, prior to any payment to ordinary shareholders.

Acquisition of Own Shares. On November 19, 2015, the Company's Board of Directors authorized a $500.0 million share repurchase program (the “November 2015 Program”), which was completed in the fifteen months ended December 29, 2017. On March 16, 2016, the Company's Board of Directors authorized an additional $350.0 million share repurchase program (the "March 2016 Program"), which was completed during the fifteen months ended December 29, 2017. On March 1, 2017, the Company's Board of Directors authorized an additional $1.0 billion share repurchase program (the "March 2017 Program"), which commenced upon the completion of the March 2016 Program. The March 2017 Program has no time limit or expiration date, and the Company currently expects to fully utilize the program.

The number of shares acquired and the timing of repurchases will depend on a number of factors, including share price, trading volume and general market conditions along with working capital requirements, general business conditions and other factors. During the fifteen months ended December 29, 2017, Mallinckrodt plc repurchased 21,422,202 shares (with a par value of $0.20 per share). The average market price of these shares was $37.58. At December 29, 2017, the Company had acquired 31,955,897 shares (with a par value of $0.20 per share) for $1,531.3 million under the share buyback programs. During the fifteen months ended December 29, 2017 Mallinckrodt plc canceled 26,500,000 of the shares held by the company under the buyback program and at the year end Mallinckrodt plc held 5,455,897 shares or 5.9% of outstanding shares. The average market price of treasury shares purchased to date under the share repurchase program was $47.92.

During the fifteen months ended December 29, 2017, Mallinckrodt plc repurchased an additional 101,588 shares at an average market price of $49.98 and during the fiscal year ended September 30, 2016 Mallinckrodt plc repurchased 29,280 shares at an average market price of $78.55, which are held in treasury at cost. The value of the shares repurchased during the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016 were $5.1 million and $2.1 million respectively. These transactions represent deemed repurchases of shares issued in connection with the vesting of share-based awards to satisfy minimum statutory tax withholding obligations.

At December 29, 2017, the total number of treasury shares held by Mallinckrodt plc was 5,860,430. These shares had a nominal value of $1.2 million. Mallinckrodt plc held 10,969,604 treasury shares at September 30, 2016 which had a nominal value of $2.2 million.

Undistributable Reserves. The share premium account, which amounts to $4.1 million, is considered an undistributable reserve. The capital redemption reserve, which amounts to $5.3 million and arose on the cancellation of 26,500,000 treasury shares during the financial period is also considered an undistributable reserve. During the fiscal year ended September 26, 2014, Mallinckrodt plc also recorded an unrealized gain of $1.7 billion on the disposal of MIFSA, a subsidiary company to another group entity. This unrealized gain is not part of distributable reserves. Under Irish law, dividends and distributions cannot be made from undistributable reserves. The undistributable reserves as of December 29, 2017 and September 30, 2016 were $1.8 billion and $5.7 billion, respectively.

Share Premium. On March 24, 2017, the High Court of Ireland approved the creation of distributable reserves of Mallinckrodt plc through a reduction in the share premium account, which will facilitate any future payment of dividends to shareholders of the Company, as well as effect the repurchase of shares. The court order authorizing the creation of distributable reserves was filed with the Registrar of Companies in Ireland and became effective on March 24, 2017, resulting in the transfer of $3,996.9 million to the profit and loss account.

During the fifteen months ended December 29, 2017 and fiscal year ended September 30, 2016, the remaining share premium account activity resulted from the impact of the exercise of stock options. The balance in the share premium account resulted from the exercise of employee share options.

Other Reserves. The balance in other reserves is comprised of the unrealized gain on the disposal of MIFSA to another group entity during the fiscal year ended September 26, 2014, contributed surplus on vested restricted stock and share-based compensation.

The share-based compensation reflected in other reserves was $70.2 million and $42.9 million at December 29, 2017 and September 30, 2016, respectively.

8. Loss Attributable to Mallinckrodt plc

In accordance with Section 304(2) of the Companies Act 2014, Mallinckrodt plc is availing itself of the exemption from presenting and filing its individual profit and loss account. Mallinckrodt plc's loss as determined in accordance with Irish GAAP (FRS 102) was $334.5 million for the fifteen months ended December 29, 2017. The loss for the fiscal year ended September 30, 2016 was $205.9 million.

9. Directors' Remuneration and Key Management Personnel Compensation

Note 13 to the Group's Notes to Consolidated Financial Statements provides details of directors' remuneration paid by Mallinckrodt plc.

Key management personnel did not receive any compensation from the Company during the financial periods ended December 29, 2017 and September 30, 2016.

10. Auditors' Remuneration

Auditors' remuneration was as follows (in thousands):

	Fifteen Months Ended December 29, 2017	Fiscal Year Ended September 30, 2016
Audit of individual accounts	$ 20.4	$ 17.8
Other assurance services	223.1	187.6
	$ 243.5	$ 205.4

No amounts were incurred for tax advisory services or other non-audit services. Note 14 to the Group's Notes to Consolidated Financial Statements provides additional details of fees paid by the Group.

11. Related Party Transactions

The Company is availing itself of the exemption provided under Schedule 3, paragraph 67 (3), Companies Act 2014, which exempts disclosure of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of the group.

12. Subsidiary Undertakings

Mallinckrodt plc owns Mallinckrodt UK Limited. Details of the subsidiaries are included in Note 32 to the Group's Notes to Consolidated Financial Statements.